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COMMERCIAL INSURANCE RATES FALL IN 2007 FIRST QUARTER AS TREND CONTINUES / PAGE 3

CALIFORNIA NEXT IN LINE FOR HEALTH CARE REFORM, INSURER EXEC SAYS / PAGE 3

FEW BUYERS TAKE STRATEGIC VIEW OF RISK MANAGEMENT PROCESS, SURVEY FINDS / PAGE 3

In Brief

BCBS settles with doctors in class action suit

The Blue Cross & Blue Shield Assn. and 23 of its licensed health plans have settled a class action lawsuit with 900,000 physicians and medical societies alleging that the plans defrauded doctors. The settlement includes a guaranteed cash payment of more than $128 million and legal fees not to exceed approximately $49 million. The Blues plans have agreed to make several business practice changes, including implementing a definition of medical necessity and ensuring payment of clean claims within 30 days.

New reinsurer formed in Bermuda

White Mountains Insurance Group has joined with Paris-based banking firm NATIXIS to create Pentelia Capital

See **IN BRIEF** page 83

RISK MANAGER OF THE YEAR

Lance Ewing of Harrah's Entertainment Inc. takes top honors.

Read extensive coverage of the winning program and this renowned "maverick" risk manager's other successes. Plus, details on three new members of the Risk Management Honor Roll and their achievements.

Starts on Page 10

INDEX

Advertiser Index 82
Business Resources 76
Comings & Goings 78
End Page 84
International 77
Opinions 8
Paul Winston 6
Professional MarketPlace 76
Stocks 83

HOW FEES AFFECT 401(k) RETURNS

Effect of a one percentage point increase in annual fees on $20,000 401(k) balance invested over 20 years, assuming a 7% investment return.

Source: Government Accountability Office

Regulators target 401(k) plan fees

Disclosure rules set to be tightened as scrutiny grows

By JUDY GREENWALD

Sponsors of 401(k) plans can expect additional disclosure and reporting requirements for plan-related charges as a result of close scrutiny the issue is receiving from regulators, lawmakers and plaintiff attorneys.

The latest development in the area came last week, when the U.S. Department of Labor's Employee Benefits Security Administration began seeking input about how to improve information provided to 401(k) participants about the administrative fees and expenses assessed on their accounts.

There are pre-emptive steps employers can take to avoid liability in this area, including determining the fees charged, communicating fees clearly to plan participants and periodically reviewing the fee structure of their plans, say observers.

Investment and record-keeping charges account for most 401(k) plan fees, said Barbara D. Bovbjerg, director, education, workforce, and income security issues at the Government Accountability Office, during testimony last month before the House Education and Labor Committee.

Whether and how participants or plan sponsors pay the fees vary by the type of fee and the size of the plan, said Ms. Bovbjerg's in her prepared testimony. In November, the GAO recommended that additional fee disclosure be required.

In her testimony, Ms. Bovbjerg noted that charging just one additional percentage point in fees could reduce a participant's 401(k) plan balance by about 17% over a 20-year period (see chart).

If a high-cost fund generates a 10% return while a low-cost fund returns 6%, plan participants will be glad to pay the higher fee, but the concern is that plan fiduciaries "haven't been sufficiently minding the store to keep track of where the expenses are" and participants have not been sufficiently informed, said Brian Snarr, a benefits attorney with Morris & Cohen L.L.P. in New York.

The American Benefits Council, whose members include major corporations, supports enhanced disclosure, said Jan Jacobson, its director of retirement policy in Washington.

"Currently a lot of the information is available to participants, but in various places like the prospectus," and many participants "aren't likely to pull all this information

ACT NOW: Experts advise employers to review reporting procedures. PAGE 81

LITIGATION: Lawsuits mount as plaintiffs target plan disclosure practices. PAGE 81

See **FEES** page 81

RRG expansion touted as terror cover option

But legislative reform faces uphill battle against key lawmaker

By MARK A. HOFMANN

WASHINGTON—Congressional action to allow risk retention groups to cover property insurance would add capacity and competition to the terrorism insurance marketplace, according to some market observers and lawmakers.

But including expansion of the Liability Risk Retention Act in legislation as part of an effort to extend the federal government's terrorism backstop beyond its slated Dec. 31 expiration appears certain to run into a legislative roadblock set up by a key congressional backstop proponent, who also questioned the need for a long-term extension of the backstop.

At a hearing on terrorism insurance last week, Rep. Paul Kanjorski, D-Pa., chairman of the House Financial Services Committee's Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises made clear that any extension bill should focus

LANDOV

Rep. Paul Kanjorski, D-Pa., is set to oppose efforts to include reform of the Liability Risk Retention Act as part of negotiations to extend TRIA.

See **TRIA** page 82

Willis vows to pass up new insurer payments

Extra commissions smack of contingents, says brokerage

By SALLY ROBERTS

NEW YORK—Supplemental commissions recently introduced by insurers to pay brokers are no different from the contingent commissions they're meant to replace, said Willis Group Holdings Ltd., which will announce today that it will not accept the incentive payments.

The London-based brokerage said it has determined the supplemental compensation plans offered by Warren, N.J.-based Chubb Corp. and St. Paul, Minn.-based Travelers Cos. Inc. do not avoid the conflicts of interest that were associated with contingent commissions, which the world's four largest brokers gave up more than two years ago amid client-steering investigations by then-New York Attorney General Eliot Spitzer and others.

Willis said the new compensation plans have "performance-driven elements that make lump-sum payments contingent on factors such as retention, growth and profitability—features that rendered contingent commission plans incompatible with conflict-free transparency and our clients' best interests."

"When I look at supplemental compensation, I say to myself, irrespective of what a regulator said you can do, in my opinion, it's the same as a contingent," said Joe Plumeri, Willis' New York-based chairman and chief executive officer, in an interview with *Business Insurance*.

"Whether it's prospective or retrospective, the fact of the matter is

See **WILLIS** page 82

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RIMS 2007

Explore new array of RIMS reporting

BusinessInsurance.com offers expanded coverage of this year's RIMS conference from New Orleans, including daily online video reports, audio interviews, interactive slideshows and, of course, top-notch onsite reporting on news and developments and awards. For continual updates, visit *www.businessinsurance.com/RIMS2007*.

RISK MANAGER OF THE YEAR

See 30 years of risk excellence online

A special online section features profiles of all the winners of the Risk Manager of the Year award from the past 30 years, as well as summaries and insights on their successful programs since the award's creation. Go to *www.BusinessInsurance.com*.

BENEFIT MANAGER OF THE YEAR®

Nominate your favorite benefit manager

Business Insurance is seeking nominations for the magazine's 2007 Benefit Manager of the Year® award to recognize excellence and innovation in benefits management. Download a nomination form at *www.BusinessInsurance.com/BMOY* or request a nomination form from *BI* Editor Regis Coccia at *rcoccia@businessinsurance.com*.

BI DIRECTORIES

BI's RMIS directory updated online

Business Insurance's Risk Management Information Systems directory has been updated for 2007 and is available online for purchase in either Excel spreadsheet or PDF format. Go to *www.BusinessInsurance.com/directories*.

Business Insurance®

REPORTING ON CORPORATE RISK AND EMPLOYEE BENEFIT MANAGEMENT NEWS

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Premium rates drop further in first quarter

By MARK A. HOFMANN

Commercial property/casualty premiums for all sizes of accounts dropped sharply during the first quarter of 2007, according to the Council of Insurance Agents & Brokers' Commercial Property/Casualty Market Index released last week.

According to the CIAB, nine out of 10 respondents said that large account premiums were down by between 1% and 30% during the first three months of this year compared with last year.

81% of the respondents said that their small account premiums dropped between 1% and 30% during the first three months of the year, while 97% reported the same range of decline for their medium accounts.

An analysis of the findings by Lehman Brothers Equity Research put the average premium decrease at 11.3%.

The Lehman analysis said premiums for all sizes of accounts were at their lowest point since they peaked in the fourth quarter of 2001 following the Sept. 11, 2001, terrorism attacks.

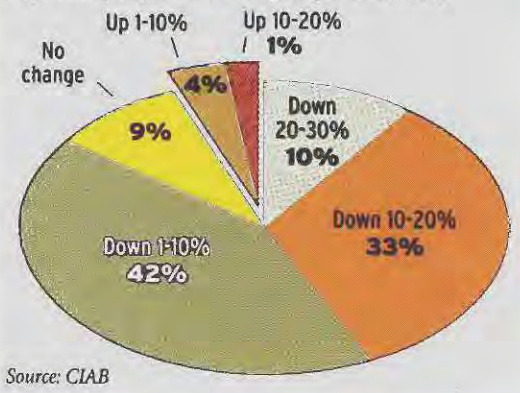
The decrease in rates is part of a trend that intensified in the first quarter of this year, according to the CIAB.

"Although the premium rate decreases have been evident in the last several market index surveys, this was the first time that less restrictive underwriting was widely reported. Brokers and agents from every section of the country said carriers were writing and quoting accounts that a year ago they would not consider," the CIAB said in a statement.

The survey is available *www.ciab.com*.

PREMIUM RATES DECREASE

85 percent of respondents saw a first quarter decrease.



Source: CIAB

California next in line for health care reform

Support grows in state for universal coverage proposed by governor

By JERRY GEISEL

WASHINGTON—California could become the next U.S. state to enact comprehensive universal health care coverage legislation, the top executive of one of the state's largest health insurance companies says.

"We may just have the perfect moment in time" when this can happen, said Bruce Bodaken, president and chief executive officer of Blue Shield of California in San Francisco.

Speaking last week in Washington at the 4th Annual World Health Care Congress, Mr. Bodaken said several forces coming together—including support for universal coverage by a popular governor who has put together a shrewdly drafted proposal with little opposition—bode well for enactment of reform legislation.

Referring to the sweeping coverage proposal outlined in January by Gov. Arnold Schwarzenegger, Mr. Bodaken described the measure as one in which "everyone sacrifices a little" to take care of a huge problem in the state: the 6.5 million people—about 20% of California's population—who lack health insurance coverage.

Under the governor's plan, all California residents would be required to have health insurance. To reach that goal, the state would expand eligibility for Medi-Cal—the Medicaid program that provides coverage to the very poor—while providing subsidies to other lower-income individuals to obtain private insurance through a state purchasing pool.

'There are not organized groups against it in its entirety.'

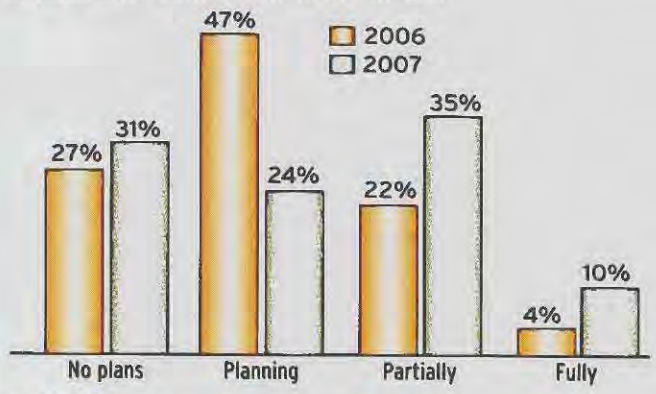
Bruce Bodaken, Blue Shield of California

To help fund the coverage expansion, employers with 10 or more employees that do not offer coverage would be assessed a fee equal to 4% of payroll while hospitals would pay an assessment of 4% of revenues and doctors would pay 2% of revenues.

Opposition to the proposal has been muted. "There are not organized groups against it in its entirety," Mr. Bodaken said.

See **CALIFORNIA** page 80

COMPANIES HAVE DOUBLED THEIR USE OF ERM



Source: Marsh Inc.

Strategic view of risk absent at most buyers

Many risk managers yet to grasp full range of opportunities

By ROBERTO CENICEROS

Risk managers have yet to tap their full potential to turn risk into opportunity and help improve their company's bottom line in pursuing a strategic approach to risk, the sponsors of an annual survey say.

The survey, cosponsored by Marsh Inc. and the Risk & Insurance Management Society Inc., shows that the percentage of companies implementing enterprise risk management—a component of a strategic risk approach—has doubled over the past year, yet only 15% of respondents consider their risk approach to be strategic.

Risk management that is considered strategic includes ERM as well as indexing risk—or categorizing and prioritizing risk factors.

In the Marsh/RIMS study "Excellence in Risk Management IV, Turning Risk into Opportunity," 75% of respondents agreed their company should take a more strategic approach.

The study was conducted by New York-based TNS North America, which interviewed 391 RIMS members from midsize and large organizations as well as 77 corporate-level executives, which included chief executives, chief financial officers, board members and general counsels.

Now in its fourth year, the survey

See **SURVEY** page 83

1967 - 2007 40TH FORTY YEARS OF BI

ON OCT. 8, 2007, *Business Insurance* will celebrate its 40th anniversary of publication. Each week until then, *BI* will offer a peek at news we reported during the past four decades.

APRIL 22, 1968 The family of the late Dr. Martin Luther King received life insurance, health, accident and pension benefits under a group benefits program provided by the American Baptist Convention. Dr. King, who was assassinated April 4, 1968, was survived by his wife, two sons and two daughters.

MAY 6, 1968 Stockholders of Marsh & McLennan Cos. approved a bylaw amendment at the insurance brokerage's annual meeting to permit the company to buy directors and officers liability coverage. The vote followed a change in Delaware corporation law in 1967 allowing broad indemnification of directors and officers.

Employers must exercise caution with background checks

Faulty screening can leave company exposed to risk

By JUDY GREENWALD

Employers must navigate a careful course in conducting employee background checks.

Conducting background checks helps to protect firms' workers and customers and can shield companies from potential liability for negligence if a worker subsequently commits a crime.

But employers also must avoid the risk of violating federal and state laws that mandate background checks be conducted in a nondiscriminatory manner, protect against violating applicants' privacy and maintain workers' confidentiality.

The key is developing a well-crafted policy, say observers. "There's some hoops to jump through," but essentially, an employer must develop a narrowly tailored policy that is consistent with the job requirements and/or the public safety issues that must be addressed, said Larry R. Wood Jr., an attorney with Pepper Hamilton L.L.P. in Philadelphia.

Background checks are widely used. According to a 2004 survey by the Alexandria, Va.-based Society for Human Resource Management, 96% of respondents indicated their organizations conduct some form of background or reference check on job applicants.

"They're critical," said Courtney Larsen, human resources director for Phoenix-based Take Charge America Inc., a nonprofit credit counseling agency. She noted that the agency's counselors have access to clients' personal financial information. "We want to screen those folks as thoroughly and as carefully as possible," she said.

It is important, though, that the background check be done correctly, experts say. Negligently conducted background checks will leave the employer with as much exposure "as if they didn't do it at all," said Craig R. Annunziata, an employer attorney with Fisher & Phillips L.L.P. in Chicago.

There have been cases, for instance, where an employer failed to check all the counties where an applicant had lived, and did not learn the applicant was a registered sex offender. "You can imagine what a jury would do with that," he said.

Employers who are sued for negligent hiring have minimized their risks if they previously conducted a

See SCREENINGS page 80

CHECKLIST

- Be consistent in conducting background checks, and careful nor to single out any particular group.
- Do not have a blanket policy against hiring people with arrest or conviction records, but consider each individual's particular circumstances.
- Avoid violating applicants' privacy and do not seek information that is not publicly available, such as personal medical histories.
- Share information with employees only on a "need to know" basis.

Large companies worry about reputational risks

By MARK A. HOFMANN

CHICAGO—Damage to reputation emerged as the most frequently cited risk concern by large businesses surveyed in a forthcoming Global Risk Management Survey by Aon.

The survey was conducted by Aon Global Risk Consulting in late 2006 to early 2007, and is based on responses from 320 organizations in 29 countries. All had annual revenues of at least $1 billion.

The businesses listed both traditionally insurable concerns such as business interruption and traditionally noninsurable concerns such as market environment among their top concerns (see chart).

"I find it interesting that five out of the top 10 risks are not traditionally insurable," said Ruth Joplin, Chicago-based managing director of Aon Global Risk Consulting and the survey's project leader. In addition to damage to reputation and market environment, these traditionally noninsurable risks included concerns such as regulatory and legislative changes and failure to attract or retain staff, she said.

"The findings of this survey demonstrate the dynamic nature of risk as management priorities shift over time," according to a draft of the survey. "Whereas senior management and risk managers have traditionally been concerned with operational and financial risk, they now have to deal with issues as diverse, complex and esoteric as reputation crises, sustainability, labor unrest, pandemics and the impact of new regulation all around the world."

Ms. Joplin said the concern about reputation risk is "not all that unusual in organizations of this size" that operate globally.

"They depend on reputation to a greater degree than organizations may have in the past because there's been a shift in the paradigm of business." Organizations are "less reliant on brick and mortar resources" than on their ability to grow based on reputation, she said. "They depend on their reputation more than anything else to secure favor with creditors, people, customers and business partners."

When asked to rank both their current priorities and those of the next two years, respondents cited risk identification, quantification and analysis as the first step in the enterprise risk management process both now and during the next two years.

But the companies put managing risk on an enterprisewide basis as their second priority over the next two years, Ms. Joplin pointed out.

"We were pleased to hear that organizations are planning to shift toward managing risk on a more enterprisewide basis in the coming two years," she said. "This will be essential for managing the broader base of risk identified."

Aon expects to release the report in May.

TOP 10 CORPORATE RISKS

Senior management and risk managers rank their top 10 corporate risks

1. Damage to reputation
2. Business interruption
3. Third-party liability
4. Distribution or supply chain failure
5. Market environment
6. Regulatory/legislative changes
7. Failure to attract or retain staff
8. Market risk (financial)
9. Physical damage
10. Merger/acquisition/restructuring Failure of disaster recovery plan

Source: Aon Global Risk Consulting

New York federal court says Verizon's cash balance plan nondiscriminatory

By JERRY GEISEL

NEW YORK—Verizon Communications Inc.'s cash balance pension plan does not discriminate against older employees, a federal court has ruled in yet another legal victory for employers on the issue.

Verizon's plan is not only age neutral, but in fact, provides "pay credits at a rate that is more generous for older employees than for younger employees," ruled Judge Denny Chin of the U.S. District Court for the Southern District of New York.

For example, while participants whose combined age and service are less than 35 years received annual credits equal to 4% of pay, participants whose combined age and service is between 50 and 64 years received annual pay-related credits of 6%, and those with 65 or more total years received annual pay credits of 7%.

While a pay credit provided to younger employees eventually will be worth more than the identical credit provided to an older employee with the same salary, that difference is not age discrimination but is the result of the younger employee's benefit having more time to earn interest, Judge Chin wrote.

Judge Chin's ruling is at least the seventh—six by district court judges and one by an appeals courts—to reject age discrimination charges against cash balance plans since the 7th U.S. Circuit Court of Appeals in August 2006 ruled that the plan design in general and IBM Corp.'s plan in particular does not discriminate against older employees.

However, two judges—both in the U.S. District Court for the Southern District of New York—have ruled that the plans are age discriminatory.

Unrelated to the litigation, New York-based Verizon last year froze the cash balance plan, which covers nonmanagement employees, and significantly improved its 401(k) plan match.

Legislation passed by Congress protects new cash balance plans that meet certain basic standards from age discrimination suits, but federal legislators left it to the courts to resolve the issue for already-established plans.

Which companies are the best? Cast your vote in 2007 *BI* awards

Business Insurance is pleased to invite its readers to vote for the best overall commercial insurance industry companies in our 2007 Readers Choice Awards.

Now in their third year, *BI*'s Readers Choice Awards recognize the top-performing companies in 11 different categories relating to risk management, insurance and employee benefits. Readers of the newsmagazine along with visitors to *BusinessInsurance.com* are invited to vote for companies that they believe offer the best combination of service, value, quality and innovation.

The categories are:

- Best admitted property/casualty insurer
- Best employee assistance program provider
- Best employee benefit consulting firm
- Best insurance wholesaler
- Best managed care organization
- Best property/casualty reinsurer
- Best reinsurance intermediary
- Best retail brokerage
- Best risk management consulting firm
- Best surplus lines insurer
- Best third-party claims administrator

Winners in these categories will be announced and profiled in the Aug. 20 issue of *Business Insurance*, and online after publication.

To view profiles of the winning companies in the previous Readers Choice Awards competitions, please visit *www.BusinessInsurance.com/ReadersChoice*.

As in the past, all votes are completely confidential, and *BI*'s ballot provides lists of the largest companies in each category for convenience only; voters may write in other companies if they choose.

New for the 2007 awards is a revised electronic ballot, with results to be tabulated by Erdos & Morgan Inc., an internationally respected business-to-business market research firm.

To participate in this year's Readers Choice Awards, go to *http://ErdosSurvey.com/B/BI/ReadersChoiceBallot*.

All votes must be submitted by June 13.

Errors & Omissions:

An April 23 editorial, "Opportunity Arises Out of School Tragedy," misidentified the Columbine High School massacre as the second-worst U.S. school shooting. A 1966 shooting at the University of Texas claimed more lives. At Columbine, 15 people, including the two gunmen, were killed. At the University of Texas, 17, including the gunman, were killed.

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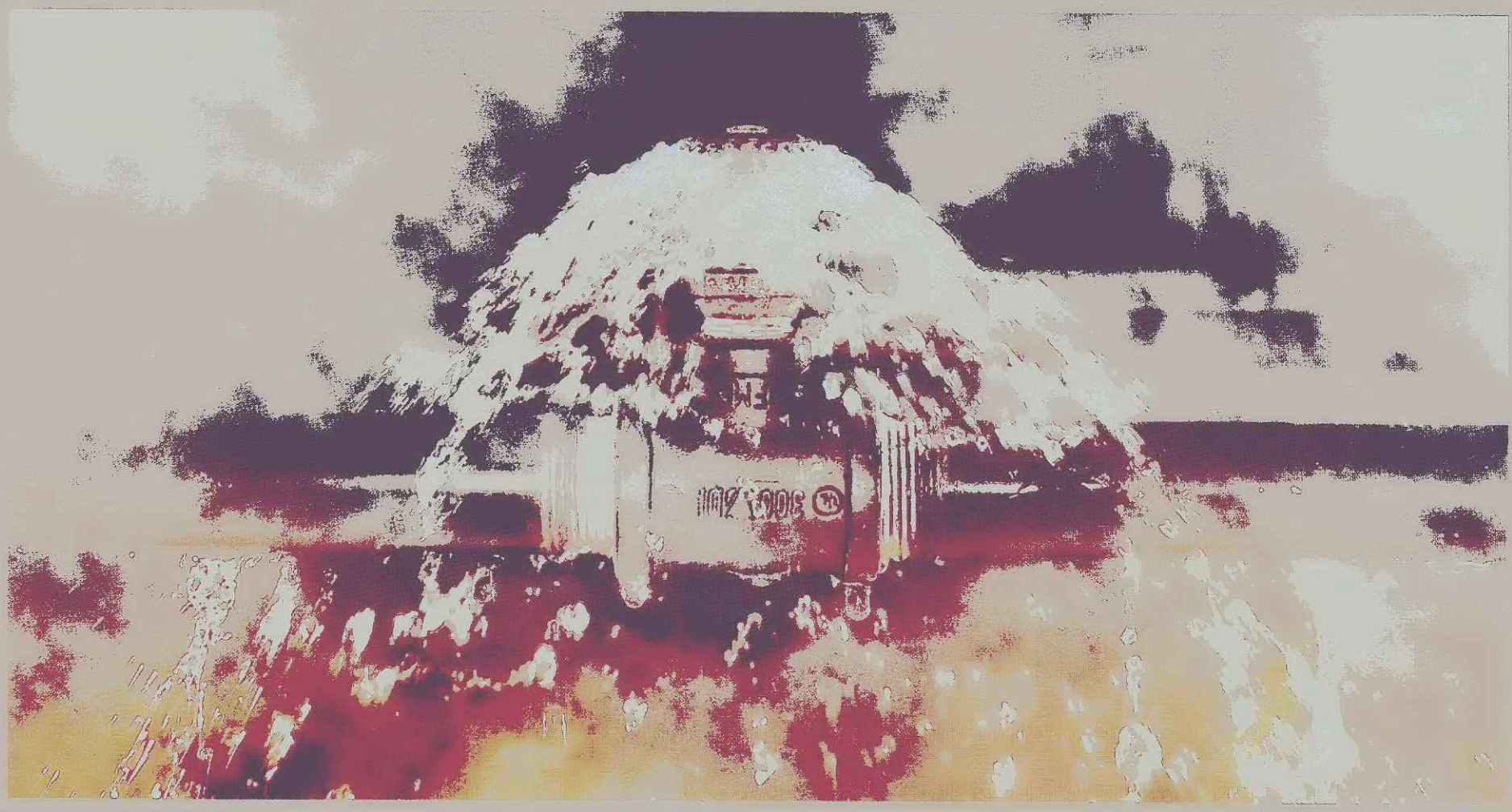

WAUSAU PROPERTY AT WORK. A building material supply customer of ours recently moved into a larger building. Despite the extra space, it still had inventory stacked nearly to the ceiling. This presented a bit of a problem for the existing sprinkler system, which was not designed for high-pile storage. The system didn't have the necessary water and pressure to combat the type of intense fires that could result from the primarily wood materials. Our loss prevention experts estimated the entire $4 million inventory could be lost in a fire. Working together, we found a solution that appealed to both the company and its landlord. The existing system was replaced with one designed for high-pile storage and the building was outfitted with new heaters to prevent the pipes from freezing. In addition to protecting its inventory, the company saved almost $30,000 a year in premiums. It's all part of Wausau TotalValue℠ and our commitment to lowering our customers' total cost of risk. A commitment backed by the financial strength of the Liberty Mutual Group. To learn more, visit wausau.com or contact your Wausau representative.

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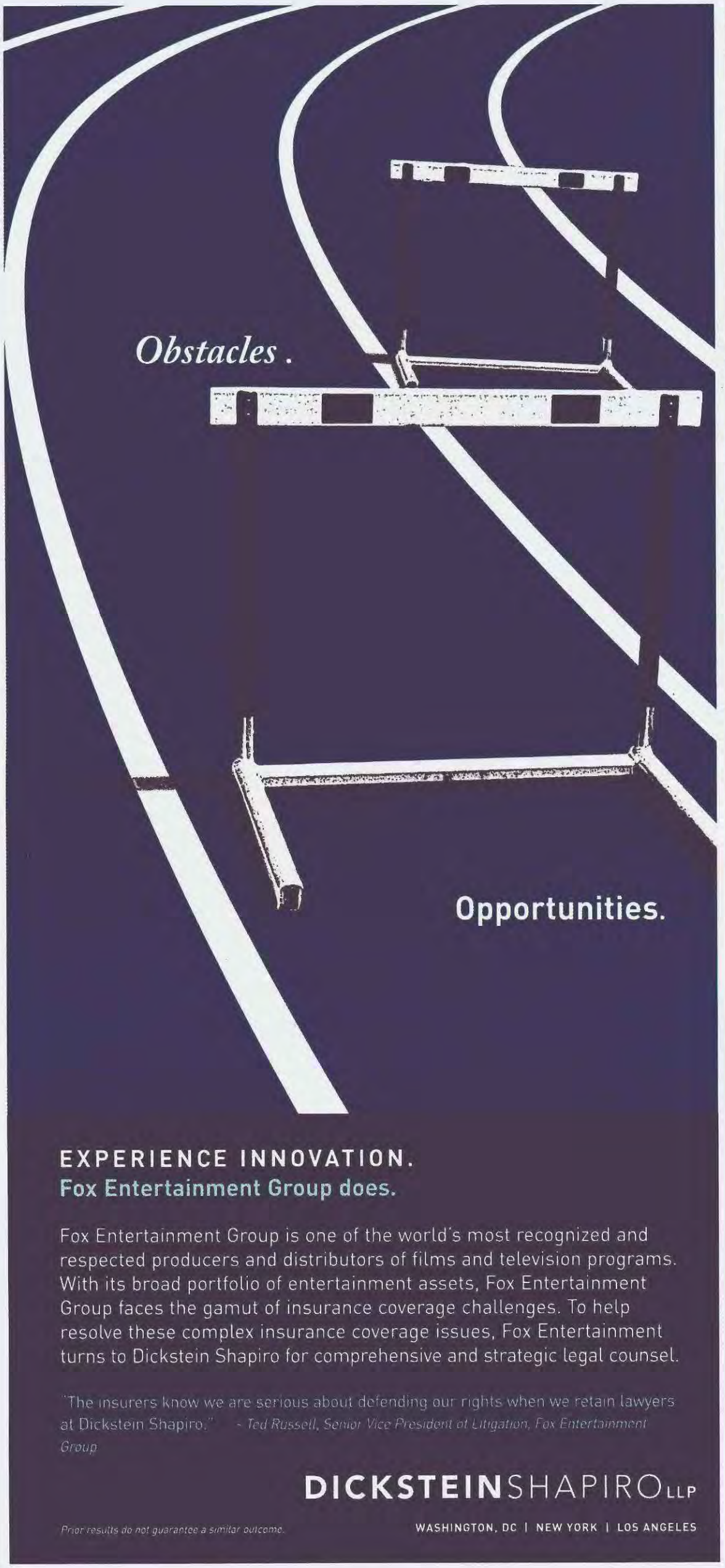


Commentary

Risk managers, CEOs need to get in sync

PAUL WINSTON

Associate Publisher and Editorial Director Paul Winston's commentary appears monthly. E-mail: pwinston@businessinsurance.com

A new survey by Chubb Corp. that examines attitudes toward global risks by U.S. senior management and risk managers finds some surprising divergence in what each group sees as top concerns.

This differing perception of risk suggests that some risk managers in U.S. multinationals either need to do a better job of understanding their organization's international priorities, or perhaps improve the level of communication they provide to their top management about overseas exposures.

The survey findings also suggest that the risks of greatest concern to top executives may not be the typical insurable risks with which risk managers are familiar, providing added impetus for U.S. risk managers to adopt a broader view of risk, as embodied in an enterprise risk management philosophy, to truly contribute to protecting their organization.

The Chubb survey, released last week on the eve of the Risk & Insurance Management Society Inc.'s annual conference, reports that a majority of respondents regard international risks as an equal or greater threat to their company as domestic risks. Among all respondents, 42% said the two posed an equal threat, while 16% said international risks were of greater concern.

The surprise was that 43% of top executives—a mix of presidents and COOs, CEOs and CFOs—regarded international risks as a greater threat to the company than domestic risks, compared with only 16% of risk managers. I find that gap in perception startling and believe it is important for risk managers to do all they can to narrow it.

In general, the external financial risks of greatest concern to survey respondents doing business globally illustrate a widening perception of corporate threats. These include: Increasing competition, cited by 22%; rising fuel costs, 15%; the devaluation of the U.S. dollar, 14%; rising interest rates and international trade restrictions, each cited by 12%; and increased government regulation, cited by 9%.

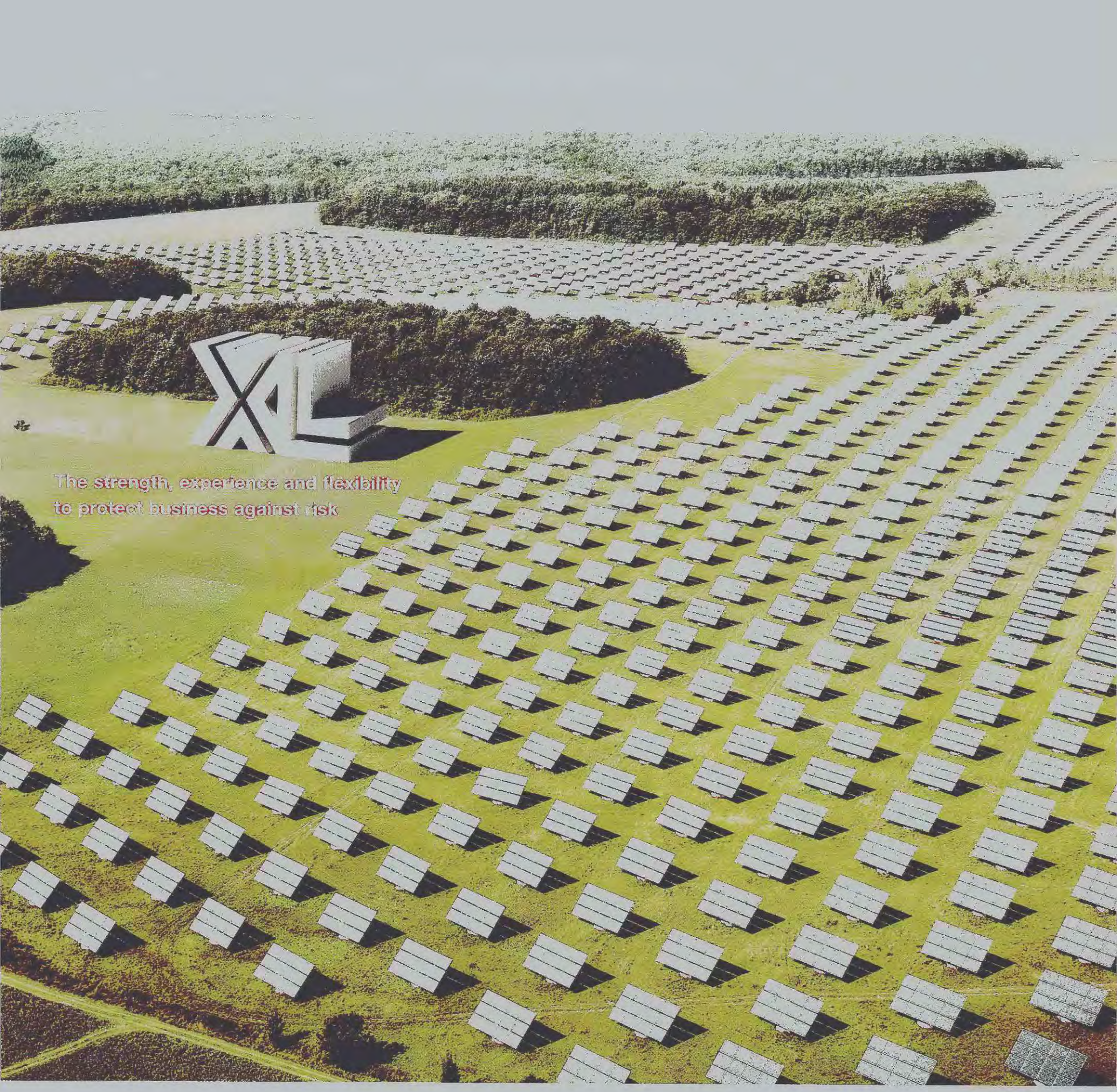
Apart from these external forces that could impact a company's earnings, Chubb also asked respondents to name the top risk to overseas business operations. No. 1 was terrorism, cited by 18% overall. Here again, there was a divergence of opinion between top management and risk managers. While 24% of top management cited terrorism as the top operating risk overseas, among risk managers, the top vote getter, also at 24%, was natural catastrophe exposures.

The survey's findings suggest that even as some U.S. companies plan for increased international expansion, they may not be managing their exposures as effectively as possible. That's because risk managers who find themselves out of step with top management have a problem—they are either investing time and money in managing exposures that are not a high priority in the C-suite, or are not contributing to solving the top issues that senior management is concerned about.

As some U.S. companies plan for increased international expansion, they may not be managing their exposures as effectively as possible.

To the company whose assets overseas were just unexpectedly expropriated by a foreign government, the fact that their earthquake coverage was intact may not be of much comfort.

The risk manager in this situation should act to close that gap by beginning a dialogue with senior management and an assessment of all the exposures they may face. Obtaining consensus will better protect the organization and demonstrate to top management that risk management can be a key to successful international expansion.



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Business Insurance OPINIONS

Relationships are key to honorees' success

RISK MANAGEMENT is both art and science, but in large measure, succeeding at it requires the ability to cultivate and nurture relationships.

That is especially true of the honorees profiled in *Business Insurance*'s annual Risk Manager of the Year issue. All four of these outstanding professionals have created successful programs to mitigate and control the risks their organizations face. Key to their success has been the relationships they have built—with co-workers, supervisors and strategic partners.

For example, the 2007 Risk Manager of the Year, Lance J. Ewing, vp-risk management at Harrah's Entertainment Inc., has an unusual dual-broker arrangement. Memphis, Tenn.-based Harrah's uses Beecher Carlson Holdings Inc. for its casualty exposures and Willis Group Holdings Ltd. for its property risks. Left to its own, competition between the brokers might force one out of the picture. But Mr. Ewing carefully structured the relationship so that both brokers must cooperate to best serve Harrah's. As a result, neither broker is a threat to the other, and Harrah's gains the benefit of having two advocates watching out for it.

All four of these outstanding professionals have created successful programs to mitigate and control the risks their organizations face.

In addition to his creative use of broker resources, Mr. Ewing leveraged his relationships with underwriters on Harrah's programs to win favorable coverage and settle the gaming and entertainment company's mammoth claims from Hurricanes Katrina and Rita.

Members of the 2007 Risk Management Honor Roll also know how to develop and maintain key relationships.

Carol Arendall, director-risk management of OfficeMax Inc. in Naperville, Ill., relied on existing relationships and created new ones in building OfficeMax's risk management program from scratch. Developing a team to understand and manage effectively the office products company's risks took skill, and Ms. Arendall and others credit her ability to listen as a critical factor. Gaining perspective helped her to ensure clear communication.

Scott B. Clark, risk and benefits officer for Miami-Dade County Public Schools, the nation's fourth-largest school district, uses a collaborative approach to administering the programs that protect more than 360,000 children, faculty and staff. His skill in tapping others' expertise to support his vision for the south Florida school district has helped achieve ambitious goals while meeting the public entity's strict budget requirements.

Warren Perkins, vp-risk manager at Boh Bros. Construction Co. L.L.C., has long held a place of trust in the family-owned construction company in New Orleans. He faced innumerable challenges after Hurricane Katrina not only damaged his home but also much of his company's operations and his city. Quickly getting Boh Bros. back in business helped New Orleans to begin rebuilding. Mr. Perkins' talents also were tapped to promote the city's prospects to insurance underwriters around the United States and in London and secure continued capacity for businesses operating there.

Business Insurance proudly salutes the 2007 Risk Manager of the Year and the members of the 2007 Risk Management Honor Roll. To learn more about their remarkable stories, read the profiles beginning on page 10.

BI beats list

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

Agents/brokers: Sally Roberts.

Benefits–health care and ancillary benefits: Joanne Wojcik.

Benefits–retirement savings/pensions: Jerry Geisel.

Bermuda market: Rupal Parekh.

Canada–risk management and benefits: Gloria Gonzalez.

Claims management: Rupal Parekh.

Employment practices: Judy Greenwald.

Environmental risk management: Sally Roberts.

Federal regulation/legislation–benefits: Jerry Geisel.

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

Health care industry operations: Gloria Gonzalez.

Industry Focus: Rodd Zolkos, Meg Fletcher.

Insurance coverage litigation: Douglas McLeod.

Insurance fraud: Douglas McLeod.

Latin American markets: Roberto Ceniceros.

Property/casualty industry operations: Judy Greenwald.

Professional liability Dave Lenckus.

Property loss control/cat risks: Mark A. Hofmann.

Regulation of insurance: Meg Fletcher.

Reinsurance: Judy Greenwald.

Risk management profession: Dave Lenckus.

Runoffs/receiverships: Douglas McLeod.

Safety/ergonomics: Meg Fletcher.

Surplus lines/wholesalers: Roberto Ceniceros.

Tort reform: Mark A. Hofmann.

Work/life benefits and EAPs: Sally Roberts.

Workers compensation: Roberto Ceniceros.

Online Poll at www.businessinsurance.com

Does your organization have plans in place to respond to a shooting such as the one that occurred at Virginia Tech?

NEXT WEEK'S POLL: *How significantly would allowing risk retention groups to write property coverage impact the availability of terrorism insurance?*

***BI* Online Poll tool sponsored by Wausau**

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Congratulations to the 31st Annual Honorees!

Risk Manager OF THE YEAR 2007

Lance J. Ewing
Vice President, Risk Management
Harrah's Entertainment Inc.

Risk Management HONOR ROLL 2007

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Director, Risk Management
OfficeMax Inc.

Scott B. Clark
Risk and Benefits Officer,
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MICHAEL MARCOTTE

Ewing embraces challenges, rewards of risk management

Strong people skills, abundant enthusiasm back accomplishments

By ROBERTO CENICEROS

Colleagues, business partners and family members describe Lance J. Ewing as a driven risk manager with endless enthusiasm for his work and a taste for daring airplane rides.

The high-profile vp-risk management for Harrah's Entertainment Inc. is a bit of a "maverick," they say, who is willing to innovate and tackle new risk management challenges.

After Harrah's casinos suffered more $1.3 billion in losses from 2005's Gulf Coast hurricanes, Mr. Ewing quickly renewed his property insurance. That won him 18-month insurance policies with broader coverage than would have been available had he waited, as some market observers suggested.

When excess workers compensation insurers showed little appetite to cover a potential catastrophic loss from a terrorist attack or a pandemic outbreak, Mr. Ewing addressed their employee concentration concern by dividing his business between two underwriters.

His vendors and colleagues say Mr. Ewing is tenacious when pursuing a goal and doesn't stop until he finds a path around obstacles.

Those and other traits led an independent panel of judges to name Mr. Ewing the *Business Insurance* 2007 Risk Manager of the Year.

Colleagues describe the former president of the Risk & Insurance Management Society Inc. as a role model who pushes people to excel, a tough but fair insurance purchaser and a dedicated father.

$100M cost of risk

Mr. Ewing currently oversees Harrah's total cost of risk that exceeds $100 million annually. That includes the gaming and entertainment company's insurance purchases and retentions, captive premiums, broker fees, and expenses to investigate more than 20,000 claims and incidents a year.

Combined, the claims and incidents reported by Harrah's employees and guests have estimated reserves exceeding $35 million.

Mr. Ewing's department includes 16 corporate-level employees and 31 risk control managers at individual Harrah's properties. Staff roles include aggressively addressing claims generated by 80,000 employees and more than 4 million guests who annually visit Harrah's 50 locations throughout 13 states and six countries.

Mr. Ewing plays as hard as he works, his wife and business partners say. But with his work a constant priority, play hasn't always come easily for him, said Kimberly Ewing.

She once purchased skydiving instruction for Mr. Ewing while searching for a leisure activity to pull him away from the long hours he works. The risk manager's jump instructor turned out to be a fellow with the first name of Chance.

Ms. Ewing said she was tense watching the preparations for her husband's first jump. The plane rolled down the runway twice in attempting to lift off before the pilot ruled the craft unfit to fly, Ms. Ewing said. After a second plane carried him off and Mr. Ewing completed his jump, Ms. Ewing asked if the aborted takeoffs scared him.

"'No, it was all in the challenge,'" Ms. Ewing said he responded.

Mr. Ewing said he has never shied away from adversity and challenges, and those around him agree.

Continued on next page

CONTINUED FROM PREVIOUS PAGE

He also said he thrives on leadership roles, stepping forward during a crisis and building the relationships required of commercial insurance industry leaders.

A monumental leadership challenge greeted him in 2005 when he became Harrah's risk manager.

Harrah's completed its acquisition of Caesars Entertainment Inc. in June 2005. Mr. Ewing, who was the risk manager for Caesars, arrived in Memphis, Tenn.—Harrah's home office—two months later.

He was saddled instantly with overseeing two parallel risk management programs while searching for areas to merge, recalled Mr. Ewing's property insurance broker, John J. Bullock, president of Willis of Mississippi Inc., a Pascagoula, Miss., unit of Willis Group Holdings Ltd.

Merging two Fortune 500 company risk management departments isn't easy, Mr. Bullock said.

Three weeks into that project, and having just arrived in Memphis with his family, Mr. Ewing learned that Hurricane Katrina substantially damaged three Harrah's hotels while destroying two floating casinos and other Harrah's properties. The destruction included a floating casino that Mississippi officials blew up after the hurricane tossed it onto a highway.

Within weeks, Hurricane Rita damaged or destroyed more Harrah's properties, including barges housing shops, restaurants and nightclubs that sank to the bottom of Lake Charles in Louisiana.

"So now he is staring down two humongous, staggering losses that he really doesn't have his arms around yet because you can't get the numbers in quick enough to know what (the losses) are," Mr. Bullock recalled.

Since Harrah's and Caesars merged, Mr. Ewing whittled his insurers to 42. But because both companies had separate insurance programs, 70 insurers were responsible for paying damages.

So far, the insurers have paid more than $600 million in claims. said Roger Davis, Harrah's director of claims management.

Harrah's has made claims for another $650 million and "possibly more" in the future, Mr. Ewing added.

The recoveries to date have come without legal conflict and only one insurer refused to negotiate. Mr. Rogers credited the close relationships Mr. Ewing forges with insurers for the successful recovery efforts.

"I think Lance is the best I've ever seen as far as maximizing our business relationships with the carriers," said Mr. Davis, an industry veteran.

For instance, Harrah's and one insurer were roughly $10 million apart in settling a hurricane-related claim. Mr. Ewing worked his relationship with the insurer's senior management to narrow the gap, Mr. Davis said.

"It didn't happen overnight," Mr. Davis elaborated. "It took a little arm twisting and give-and-take on both sides, but he was able to get it done."

Harrah's risk management division doesn't expect its insurers to pay for losses not covered under its contracts, Mr. Davis said. But Mr. Ewing does use his purchasing clout and expects a fair settlement for covered losses.

"He is very direct" with his insurers, Mr. Davis added. "He lets them know up front that we have a business relationship. That, 'If you are not going to work with me I'm not going to work with you.' He has been able to parlay that into a great relationship with the carriers and very effective recovery. The proof is in the results."

Mr. Ewing said he prefers purchasing from insurers with which he maintains relationships. For instance, he has been a member of client councils for American International Group Inc. since 2003, Zurich North America since 2004 and ACE Ltd. since 2005. Each insurer provides Harrah's with property and casualty policies.

Recovering insurance money is only part of Harrah's hurricane story

After Katrina struck, Mr. Ewing volunteered for an airplane ride into the destruction zone.

He traveled to Gulfport, Miss., where Harrah's converted a damaged office property into a disaster recovery "command and communications center."

"I was the first one to put my hand up and say, 'I want to be on that plane,' and here I'm the new guy (in the company)," Mr. Ewing said.

This plane ride, however, differed markedly from the excitement of the one that took him to his first skydiving jump, Mr. Ewing recalled. The hurricane destroyed people's lives, homes and businesses. Those on the plane to the Gulf Coast were quiet in anticipation of how they would help in the midst of destruction.

"We didn't know what to expect," Mr. Ewing said. "We knew the devastation was bad, but we didn't know how bad."

The bottom floor of the two-story Gulfport building provided counseling, food and other services for impacted employees. The upstairs served as the brain center for recovery of Harrah's properties.

Travel trailers housed Harrah's disaster recovery workers, including Messrs. Ewing and Davis. They tallied weeks spent working from the location, Mr. Ewing said.

Risk management along with Harrah's design and construction department and upper management led the recovery's direction while other Harrah's departments lent support.

"Once we discovered how bad the damage really was, we had to pick up the pieces quickly," Mr. Ewing said.

Most days, though, Harrah's risk management department faces a normal array of work, including renewal meetings with underwriters, claims management decisions and overseeing loss prevention efforts.

But there are the unusual situations that arise when hosting millions of guests each year across several continents.

Within an hour on a recent day, Harrah's risk management department received notification of a fake hand grenade found in a bag, a possible tuberculosis case at another company property and the acquisition of a small zoo in South Africa.

"That's a fairly typical day," Mr. Ewing said.

MICHAEL MARCOTTE

Lance J. Ewing, the vp-risk management at Harrah's Entertainment Inc., with Chuck Atwood, the vice chairman of Harrah's and Mr. Ewing's boss.

LANCE J. EWING

TITLE: Vp, risk management for Harrah's Entertainment Inc.

PREVIOUS EXPERIENCE: Senior director, risk management, GES Exposition Services, 1998-2002; loss administrator, City of Philadelphia School District, 1992-1998; risk consultant, New York Lumbermen's Insurance Trust, 1990-1992; risk management consultant, Pennsylvania Hospital Insurance Co., 1989-1990; highly protected risk engineer, Lumbermen's Underwriting Alliance, 1987-1989.

EDUCATION: Master's degrees in law and justice from the University of Pittsburgh, and in occupational safety engineering from Columbia Southern University, Orange Beach, Ala.; bachelor of arts degree in criminal justice from Mercyhurst College, Erie, Pa.

PROFESSIONAL DESIGNATIONS: Associate in Risk Management; International Certified Risk Manager.

PROFESSIONAL MEMBERSHIPS: Risk & Insurance Management Society Inc. president, 2003-2004; RIMS Executive Council, 2000-2005; Spencer Educational Foundation board member, 2003-2004; American Hospitality & Lodging Assn. Risk Management Council, 2003-present; Zurich North America Client Council, 2004-present; American International Group Inc. Client Board, 2003-present; ACE Client Council, 2005-present; Willis Group Holding Ltd.'s Client Advisory Board, 2003-present; Certified Insurance Counselors, 2005-present; National Alliance for Insurance Education & Research faculty member teaching risk management.

FAMILY: Wife, Kimberly; daughters Seneca, 11, and Cheyenne, 10.

'Energizer bunny on steroids'

It's no accident that Lance J. Ewing has often grabbed the spotlight on his rise to the top of his profession.

He has a drive to be successful and to be known for his knowledge, said Kimberly Ewing, whom he married in 1990.

The long hours that Mr. Ewing works can be a sacrifice for his family, but "he is happier when he is allowed to shine and go about and accomplish," Ms. Ewing said. And his enthusiasm doesn't end at the office or fade after his many business travels.

When it comes to the family's Saturday chore day, for instance, Mr. Ewing is just as energetic as he is at work, said Ms. Ewing, who describes him as "an Energizer bunny on steroids."

His daughters joke that perhaps one Saturday he will sleep in, Ms. Ewing said.

He is a good guy and fun to hang out with, said Mr. Ewing's 10-year-old daughter, Cheyenne. "He loves us and does the right things for us," she said. "He makes us happy and tries to be the best he can be."

"He wants to make the best decisions for us," said 11-year-old Seneca.

It's not just the long hours that Mr. Ewing devotes to his profession that make him successful, said Mario Vitale, chief executive officer of the Global Corporate, North America, unit of Zurich Financial Services Group in New York.

Mr. Ewing's success also follows from being a tenacious fighter for his goals, and he possesses a strong personality and a sense of humor that help him convince others to join his causes, Mr. Vitale said.

He pushes those around him to work hard, but "he also knows the names of all my children, how my wife is doing and her interests," said John J. Bullock, president of Willis of Mississippi Inc., a Pascagoula, Miss.-based unit of Willis Group Holdings Ltd.

"That speaks volumes for somebody in his job, who has that much on his plate, to not only manage all the serious, big-picture business items, but still is able to manage the personal relationships," Mr. Bullock said. "That is the key that helps him get so much out of his brokers."

—By Roberto Ceniceros

HISTORY OF HARRAH'S

For its entire history, Memphis, Tenn.-based Harrah's Entertainment Inc. has been marked by mergers and acquisitions. Following are major milestones:

1937: Bill Harrah opens his first bingo parlor in Reno, Nev.

1962: Harrah's constructs 400-room hotel tower in Reno.

1973: Harrah's becomes the first casino company listed on the New York Stock Exchange.

1980: Holiday Inns Inc. acquires Harrah's hotel casino company.

1990: Several Holiday Inns assets are transferred to Promus Cos.

1995: Promus Cos. spins off its hotel brands, with the remaining operations renamed Harrah's Entertainment Inc.

2005: Harrah's completes its $9.3 billion acquisition of Caesars Entertainment Inc., the largest merger in gaming industry history and makes it the world's largest gaming and entertainment company.

2005: Harrah's announces development of gaming resorts in Spain and the Bahamas and plans to develop a resort in Slovenia in a joint venture with a Slovenian company.

2006: Harrah's announces an agreement to be acquired by private equity firms Texas Pacific Group and Apollo Management L.P. The agreement sparked several directors and officers liability lawsuits against Harrah's.

2007: On April 5, Harrah's announces a majority of stockholders approved Harrah's acquisition by Texas Pacific Group and Apollo Management L.P. Pending regulatory approvals, the all-cash, approximately $27.8 billion transaction is expected to close by year-end, Harrah's said.

Managing two broker relationships requires removing potential business conflicts

Managing two brokers could be challenging for a risk manager, as each broker could suspect the other will try to leverage inside knowledge to grab both shares of the client's business.

Yet Harrah's Entertainment Inc. contracts with Atlanta-based Beecher Carlson Holdings Inc. for casualty placement services and London-based Willis Group Holdings Ltd. for property placement services, and pays fees in excess of $2 million annually for their services.

Lance J. Ewing, the gaming and entertainment company's vp-risk management, said he "believes in the two-broker system" because it provides multiple sets of eyes watching over Harrah's risks.

It also requires the two brokers to learn about each other's operations.

For example, Beecher Carlson manages two of Harrah's captives, including a Bermuda-based facility that supports Harrah's property program. That requires Beecher to learn the details of Harrah's property program placed by Willis, said Bradley Darr, senior client executive for Beecher Carlson in Brentwood, Tenn.

MICHAEL MARCOTTE

'I'm trying to build a better broker-client relationship where it becomes all about the client.'

Lance J. Ewing
Harrah's Entertainment Inc.

Mr. Ewing manages the two brokers' relationship "probably better than any risk manager I have ever worked with," Mr. Darr said. "If Lance didn't manage the relationship, that could cause problems. Lance takes that conflict completely out."

Harrah's risk manager does so by assuring that the two brokers build personal relationships and understand that their roles are not threatened as long as they provide excellent service.

"Lance makes it very clear that as long we both do our jobs, Willis isn't a threat to us on the casualty (program) and we are not a threat to Willis on the property (account)," Mr. Darr said.

Among other opportunities to pull his brokers together, Mr. Ewing hosts an annual golf outing so they can socialize, discuss the year's insurance programs and market conditions for Harrah's account.

"I'm trying to build a better broker-client relationship where it becomes all about the client and not just all about the fees, or the line of coverage, or the ego," Mr. Ewing said.

—By Roberto Ceniceros

Beyond traditional broker relationships

Risk manager strives to build personal bond with brokers

By ROBERTO CENICEROS

John J. Bullock often tells a story about skiing with his client, Lance J. Ewing, vp-risk management for Harrah's Entertainment Inc.

They had just arrived on a Colorado ski slope when Mr. Ewing spotted some youngsters jumping off a mound.

"He takes off, goes down the hill, comes up and hits the mound," said Mr. Bullock, president of Willis of Mississippi Inc., a Pascagoula-based unit of Willis Group Holdings Ltd.

When Mr. Bullock reached his friend of about five years following Mr. Ewing's emulation of the younger skiers, "it looked like a yard sale with (ski) poles and gloves" scattered about, Mr. Bullock said.

Mr. Ewing, who calls his friend and property insurance broker's yarns "Bullockisms," said that having such a relationship helps both the risk manager and broker do their jobs better. The bonding develops communication and trust, which are "the two most important qualities you should seek in a broker-client relationship," Mr. Ewing said.

Indeed, developing such a relationship served Mr. Ewing well when Hurricane Katrina struck and damaged or destroyed several Harrah's properties—and heavily damaged Mr. Bullock's home and the home of Mr. Bullock's father.

Despite his personal losses, Mr. Bullock's attention quickly turned to his client.

"John was calling me on his cell (phone) as he and his family were fleeing the hurricane and then came down to the Gulf Coast to assist us while his own home lay in ruin," Mr. Ewing said.

"That is pretty phenomenal, but Lance and (Mr. Bullock) have been longtime friends," said Roger Davis, director, claims management for Harrah's.

Prior to Harrah's 2005 acquisition of Caesars Entertainment Inc., Harrah's relied on four brokers while Caesars used two.

Mr. Ewing evaluated all six bro-

See **BROKERS** page 14

Casualty Construction Energy Political Risks & Credit Property Reinsurance Terrorism

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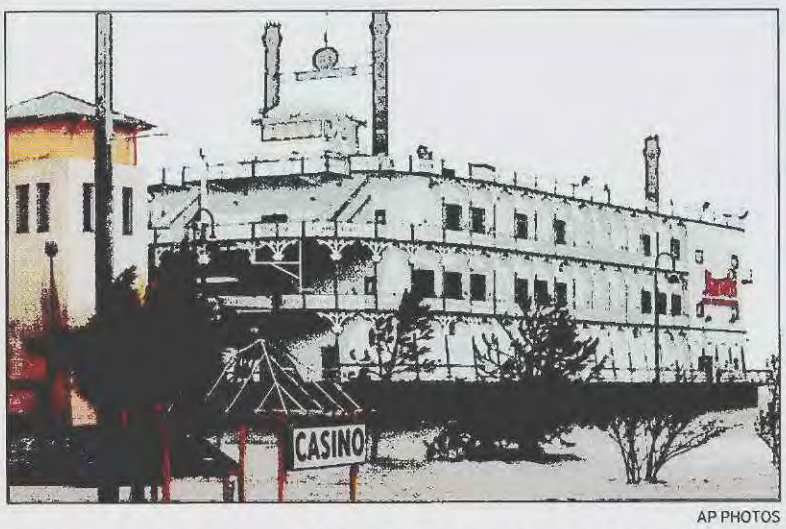

AP PHOTOS

Even though Harrah's suffered $1.3 billion in losses from hurricanes in 2005, the company was able to obtain "huge capacity" by renewing its policies before the market constricted.

Early renewal of property cover was a winning gamble for Harrah's

Quick action spared company from worst of constricting market

By ROBERTO CENICEROS

After Harrah's Entertainment Inc. suffered $1.3 billion in hurricane losses during 2005, its vp of risk management, Lance J. Ewing, took a gamble by renewing his property program quickly.

Renewing in December 2005, rather than just extending Harrah's existing coverage for six months, spared his company from renewing during the worst part of the hard property catastrophe insurance market that followed the devastating 2005 hurricane season.

It was a decision made while Mr. Ewing combined two insurance programs after Harrah's June 2005 acquisition of Caesars Entertainment Inc., where he had been the risk manager. The decision allowed him to obtain "huge capacity" before the market constricted after insurers and reinsurers counted their losses from hurricanes Katrina and Rita, which battered Harrah's hotels and casinos on the Gulf Coast, Mr. Ewing said.

And Mr. Ewing was able to get the coverage for 18 months rather than the normal 12-month policy period.

"We thought that would buy us more time to let things shake out and get us through another wind season," said John J. Bullock, Mr. Ewing's property broker and president of Willis of Mississippi Inc., a Pascagoula, Miss.-based unit of Willis Group Holdings Ltd.

"And as it turned out, that was the right decision," Mr. Bullock said. "In being early, we were able to garner the capacity we needed. Secondly, we got the broadest terms and conditions available post-Katrina, Wilma and Rita."

Before Mr. Ewing's renewal decision, several property insurance experts recommended extending Harrah's existing policies rather than renewing quickly, Mr. Bullock said.

They suggested that new capacity might enter the market and ease the capacity crunch that followed the hurricanes, Mr. Bullock said. By extending Harrah's policies for six months, Harrah's could then tap that possible new capacity, they said.

"We talked, 'Should we wait or move forward fast?'" Mr. Bullock said. "We agreed we should move ahead and be the first large account in the post-Katrina market and try and garner as much capacity as we could to replace the program that we had."

Messrs. Ewing and Bullock believed that by acting early, before insurers began to feel the entire pain of post Katrina reinsurance renewals, Harrah's would gain an advantage.

"You had to think which (alterna-

See **RENEWAL** page 18

HURRICANE LOSSES

AUGUST 2005: Hurricane Katrina severely damaged Grand Casino Biloxi and Grand Casino Gulfport in Mississippi and Harrah's New Orleans. The storm forced the closure of all three properties. In the weeks that followed, Harrah's launched a recovery effort to help 8,000 employees, extending their pay for 90 days, opening several assistance centers in the region and seeding a relief fund.

SEPTEMBER 2005: Hurricane Rita caused extensive damage to the Harrah's Lake Charles property in Louisiana. Katrina relief efforts were extended to include 1,000 more employees.

The storms caused more than **$1.3 BILLION** in insured property and business interruption losses for Harrah's.

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Renewal: Quick action helps Harrah's avoid hard market

CONTINUED FROM PAGE 16

tive) was better, and how much capacity was available," Mr. Ewing said. "And as it turned out, we made the right choice, because the amount of capacity shrank dramatically in the next six months."

At January renewals in 2006, the property market was still evaluating the impact of the storms, but by midyear 2006, catastrophe risks were seeing steep price hikes and sharply reduced capacity from underwriters.

Harrah's normally renewed it property policies in March, Mr. Ewing said, and Caesars normally renewed in June. But in anticipation of the merger's closing, Mr. Ewing had extended Caesars' policies so that they would renew on Dec. 1, 2005.

'We made the right choice, because the amount of capacity shrank dramatically in the next six months.'

Lance Ewing
Harrah's Entertainment Inc.

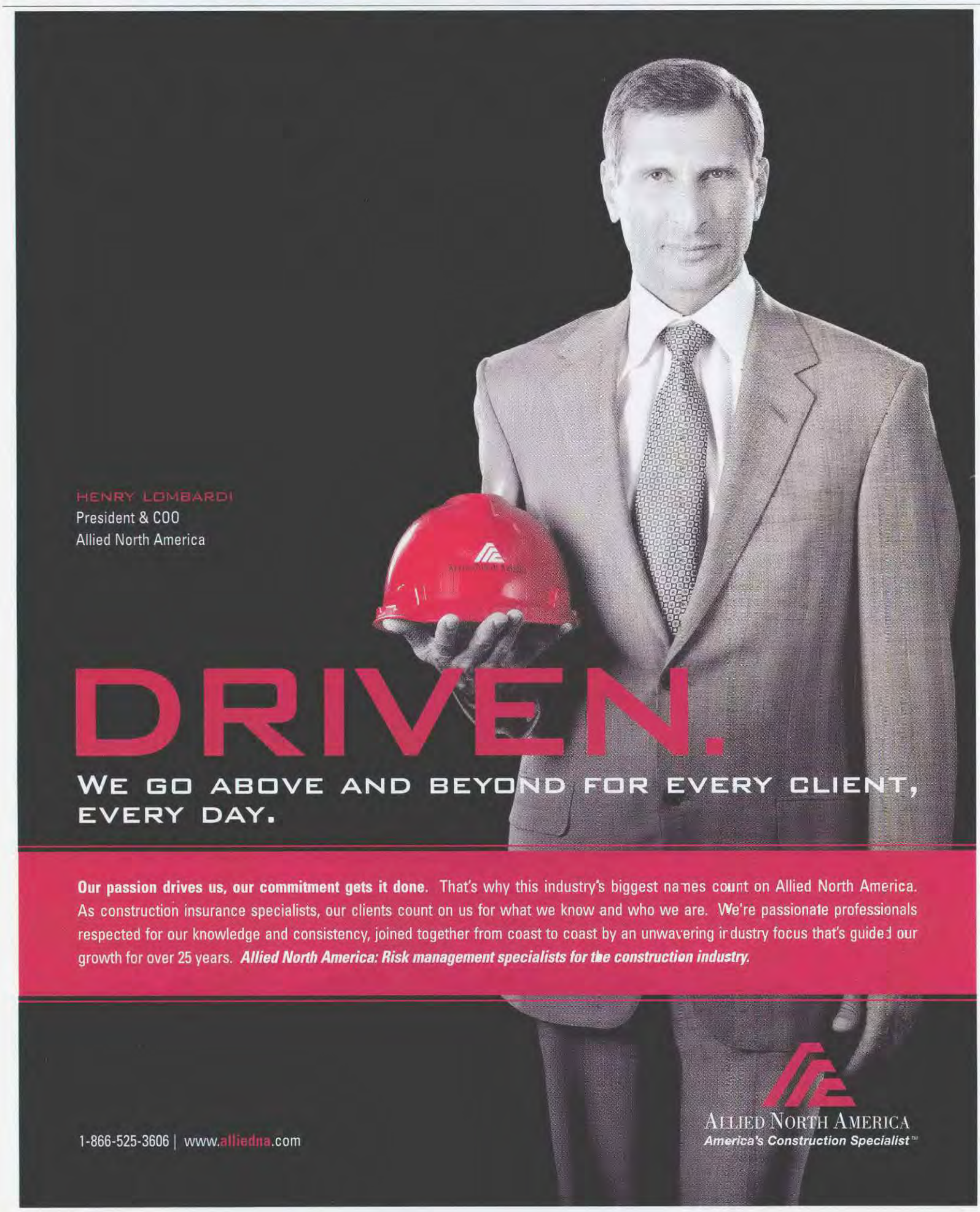
After he arrived at Harrah's, Mr. Ewing whittled the two companies' insurers from 70 to 42, and he knew he would move for a Dec. 1 renewal date for the new combined program.

"The question was do we just go back to the carriers and say 'Look you are not taking that big of a risk on catastrophic loss because hurricane season is over...just run (our insurance coverage) until June,'" Mr. Ewing said. "Then there might be more capacity in the marketplace. Nobody knew what the insurance carriers or the reinsurers were going to do. So we debated, (do we) go back to the carriers and say 'Give us an extension until June 1 and we will come back at this' or let's grab (the available capacity) now."

Grabbing the available capacity paid off.

But Harrah's purchasing clout and Mr. Ewing's relations with several insurers also played a role in convincing them to provide Harrah's with the limits it obtained under the 18-month property policy, Mr. Bullock said.

Mr. Bullock called obtaining the coverage a benefit from "rolling our sleeves up early, putting our noses to the grindstone, and begging and borrowing any amount of capacity we could get."



Elvis' suit hasn't left the building

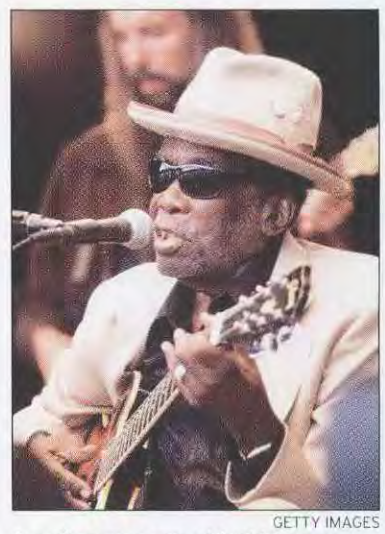
Property schedule update uncovers unknown treasures

By ROBERTO CENICEROS

Updating a property schedule for Harrah's Entertainment Inc. uncovered some interesting finds for the risk management department, including an Elvis Presley jumpsuit hanging in a Las Vegas casino closet.

Other items discovered included a John Lee Hooker guitar, boxing equipment donated to the casino by Joe Louis and Muhammad Ali, John McEnroe tennis rackets, as well a nine-hole golf course in Iowa and a church on racetrack grounds in Louisiana, said Angela Miller, insurance services manager for Harrah's.

Performers and athletes often donate their musical instruments or sports equipment in appreciation



GETTY IMAGES

A guitar once owned by bluesman John Lee Hooker was discovered at Harrah's during an update of a property schedule.

for the casino's hospitality, Ms. Miller said. Local casino managers store the items, but might not notify Harrah's risk management department.

To help protect itself, Harrah's property policies contain a clause covering unknown values under $25 million, Ms. Miller says. Some of the property insurers include Boston-based Lexington Insurance Co., a unit of American International Group Inc.; Zurich Financial Services Group in Schaumburg, Ill.; and Philadelphia-based ACE USA, a division of ACE Ltd.

"That allows Lance to sleep a little better at night," said Lance J. Ewing, Harrah's vp of risk management.

Harrah's size, along with its ongoing purchases of other companies, and its local managers' business expansion projects, can lead to the acquisition of properties the risk management department may not

See **FOUND** page 20

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MICHAEL MARCOTTE

Lance J. Ewing, vp-risk management for Harrah's, discusses security issues with Tommy Burns, left, director of security for the Flamingo Las Vegas Hotel and Casino, and Lynn Jones, field training officer for the Flamingo.

Casino cameras lower odds on fraud

Security surveillance network also effective in combating bogus claims

By ROBERTO CENICEROS

"Smile, you're on candid camera" could be a warning for anyone considering filing a bogus general liability claim against Harrah's Entertainment Inc.

An extensive network of cameras throughout Harrah's properties helps foil fraudulent damage or injury claims, despite some creative attempts.

One man claimed a snake came up through a casino toilet and bit him in "his private parts," said Lance J. Ewing, vp-risk management for Harrah's. There was a snake in the toilet. But a casino camera showed the man carrying the snake in a burlap bag into the bathroom.

And his story didn't add up, Mr. Ewing said. The snake was not indigenous to the region and couldn't have survived traveling through the casino's sewer system. That incident happened a few years ago at a property belonging to Caesars Entertainment Inc., which Harrah's acquired in 2005.

Cameras trained on gaming tables to deter dishonesty or theft are also effective in defending against insurance claims, casino risk managers say.

Most often, Harrah's cameras help when guests allege their cars suffered damage in a casino parking lot or while a valet parked them, said Roger Davis, director of claim management for Harrah's risk management department.

Cameras record drivers arriving and leaving Harrah's premises.

"A lot of times we have to show them that video to convince them we knew about that dent before they got here," Mr. Davis said.

"Photographs tend to jog their memories into the truthful range," Mr. Ewing added.

Other companies face their share of "valet claims," Mr. Davis said. But occasionally some guests believe their casino expenditures justify payments from Harrah's, even though their car dent happened elsewhere.

"That is their justification...they say, 'I spend a lot of money on your property and I have never asked for anything,'" Mr. Davis explained.

Automobile valet claims are among the most frequent general liability losses Harrah's faces, Mr. Davis said. When the claims are legitimate, the company pays them. But Harrah's risk management department takes an aggressive stance when it doesn't have liability.

"If we did something wrong, we want to pay it and settle the claim," Mr. Davis said. "If not, we don't want to pay it, so we take a hard line. We defend a lot of cases and we try a lot of cases and we deny a lot of claims, but we pay a lot of claims," too.

Harrah's closes about 8,000 general liability claims each year, Mr. Davis said. Of those 8,000 claims, valet accounts for about 40%.

Other claims Harrah's defends against include a few stemming from its restaurant operations. Although infrequent, some guests have complained of illness after eating certain meals.

Harrah's then considers how many of the same meals it served on that day. If it finds it served 1,500 of the same dishes and only one guest complained of illness, then "in the absence of medical evidence to support that, we are not paying the claim," Mr. Davis said.

A slip-and-fall claim is also likely to be denied, if a camera shows the guest was inebriated and acting recklessly while wearing flip-flops, for example.

But before Harrah's risk management department denies a claim, it notifies the company's local managers of the property where the incident allegedly occurred.

If the guest is a frequent visitor who spends freely at the property, the local managers can decide whether they want to provide compensation other than a claim payment, such as complimentary room stays, which could discourage them to drop claims.

That is a business decision that doesn't impact Harrah's claims history, Mr. Ewing noted.

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AIG congratulates

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MICHAEL MARCOTTE

Claims team members with Lance J. Ewing (back row), vp-risk management for Harrah's Entertainment Inc. (front row, left to right): Patti Hulett , claims analyst; Connie Goldman, senior claims analyst; Susan O'Malley, eastern regional claims manager; Jessica Skrutvold, claims analyst. (Middle row, left to right): Jeff Cummins, central region claims manager; Sharon Gibson, western regional claims manager; Roger Davis, director, claim management.

Harrah's taps outside help in reviewing claims

General liability strategy borrows from other disciplines

By ROBERTO CENICEROS

To help defend against general liability claims, Harrah's Entertainment Inc. turns to a practice more often associated with managing workers compensation or employee disability losses.

Harrah's risk management department also shuns a fee-per-claim arrangement with its third-party administrator, which handles the gaming and entertainment company's general liability and workers compensation claims.

For any general liability claim seeking medical costs of at least $10,000, the company turns to a medical review nurse provided by Philadelphia-based Intracorp Inc., said Roger Davis, director, claim management for Harrah's risk management department.

"It's a little out of the box," contracting with a company such as Intracorp to review the medical component of general liability claims, Mr. Davis said.

'We like to push our service providers...to do things they normally wouldn't do.'

Lance J. Ewing,
Harrah's Entertainment Inc.

A spokeswoman for Intracorp agreed that most insurance industry observers would associate her company with providing managed care services for workers compensation, disability and employee medical programs. But Intracorp, a unit of CIGNA Corp., does provide general liability claims review for some employers, she said.

"We like to push our service providers outside of their comfort zones to do things they normally wouldn't do," said Lance J. Ewing, vp-risk management for Harrah's, said of his risk management department.

That expands the services available to other risk managers.

An Intracorp nurse provides Harrah's with a report that can help determine a general liability claim's true value and whether the medical condition for which the claimant is seeking expenses is indeed related to an injury that happened on Harrah's property.

The nurse review "has been a very effective tool" because Harrah's claims adjusters do not possess similar medical expertise, Mr. Davis said.

"If you submit $10,000 worth of medical bills, I want to know if it is related to that slip and fall you had on our property six months ago or is this something that happened 10 years ago," Mr. Davis said.

Intracorp also provides Harrah's with managed care services for treating the company's workers compensation injuries. Those services include utilization review and provider networks with discounted fees.

The workers compensation ser-

See **CLAIMS** page 26

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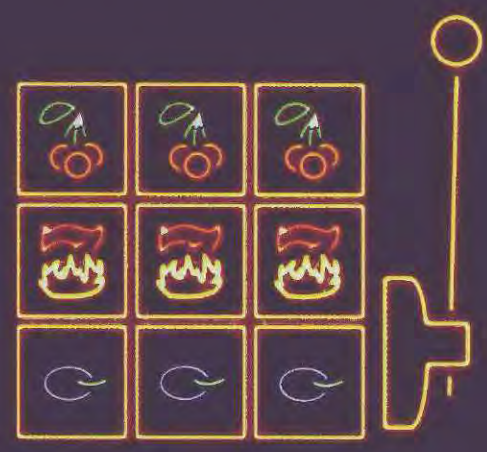
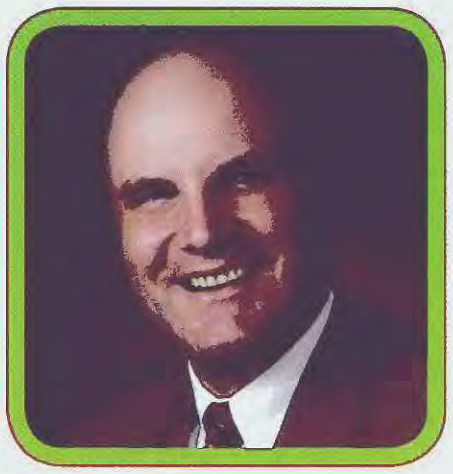


It Takes Experience, Skill and Passion for What You Do.

Beecher Carlson Salutes Lance Ewing, 2007 Risk Manager of the Year.

Lance more than earned his stripes last year by successfully bringing the Caesar's and Harrah's entertainment families together seamlessly while simultaneously dealing with the wreckage and aftermath of last season's devastating hurricanes. He took the lead in the recovery efforts helping to swiftly rebuild Harrah's properties so people could get back to work and, more importantly, back to normal.



He orchestrated the consclidation while remaining true to his pursuit of continuing education as well as his ongoing commitment and dedication to giving back to the risk management community. As a strategic partner, we are inspired by Lance's passion for his profession, humbled by his accomplishments and honored to be a member of his winning team – **Congratulations Lance!**

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MICHAEL MARCOTTE

The risk management staff of Harrah's Entertainment Inc., front row, from left, Carol McCurdy, administrative assistant; Debbie Burd, director of risk finance; Angela Miller, risk and insurance services manager; Mary Oddo, risk control supervisor; back row: Marc Kamler, insurance and risk services manager; Darren Tupman, senior risk control manager; Lance Ewing, vp-risk management; Greg Hanusey, risk control manager; Keith White, staff accountant; Scott M. Lee, risk administration manager. Not pictured: Millicent Underwood, executive administrative assistant.

Staff must balance the risks of entertainment

Risk and fun require a daily balancing act at the numerous casinos and hotels owned by Harrah's Entertainment Inc.

For every rock band's stage effects, performers shooting arrows across a stage or acrobats hanging over crowds of patrons, Harrah's risk management department has weighed the risks, said Scott M. Lee, risk administration manager for the company in Las Vegas.

Mr. Lee said his first task in discovering potential liability when considering new acts requires asking plenty of questions about their planned performances.

"If we have a group of acrobats and we find out they dangle from the ceiling from silk ropes we have to understand the specifics of the venue and how the patron area is going to be set up," Mr. Lee said. "Will these people, for example, be hanging on top of our patrons where it's a possibility they could fall?"

Mr. Lee must also determine whether the risks can be mitigated and whether the liability insurance the entertainers have purchased is adequate to protect them and Harrah's should something go wrong.

A rock band may have $2 million in liability limits, but that may not be enough if they plan, for example, to have pyrotechnics accompany their performance in a building with a total insured value closer to $1 billion. Or their insurance contract may exclude the special effects they plan to perform.

The risk management department's job is not to say no, however. It looks for ways to mitigate or transfer the risk so the show can go on. Sometimes speaking with a band's financial advisers will convince them to purchase more insurance. Ultimately, though, Harrah's shoulders some of the risk in providing entertainment.

REUTERS

The risk management staff of Harrah's asks plenty of questions before stunts–like Mike Metzger jumping across the fountains at Caesars Palace in Las Vegas on May 4, 2006–are performed.

They may never have worked with a professional risk management department before and don't know of the shortcomings in their insurance contracts, Mr. Lee said.

The risk management department understands that Harrah's is in the service business and attracting patrons requires new and exciting acts and sometimes a little calculated risk, Mr. Lee said.

"If you had a big-name celebrity that wanted to do a crazy stunt at your property, you have to balance whether or not the risk of them injuring themselves or someone else is to the benefit of the public relations we are going to get, the revenue we are going to get," Mr. Lee said. "Is it worth taking the risk? It's something we (consider) on a daily basis."

—By Roberto Ceniceros

Blended coverage holds down costs for EPL, GL

Harrah's Entertainment Inc. reduces its cost for excess employment practices liability insurance by blending the coverage with its excess general liability protection.

Some employers purchase directors and officers liability policies with an EPLI endorsement. However, it is unusual to blend EPLI and general liability coverage, said Bradley Darr, senior client executive for Beecher Carlson in Brentwood, Tenn., who places casualty coverage for Harrah's.

Harrah's maintains a large self-insured retention for EPLI claims with separate per-occurrence and aggregate limits.

Above Harrah's retention, National Union Fire Insurance Co. of Pittsburgh, Pa., a New York-based unit of American International Group Inc., provides the employer with a layer of EPLI coverage, said Mr. Darr.

The EPLI limits provided by National Union are equal to general liability limits sold to Harrah's by Bermuda-based ACE Ltd., he said.

Lance J. Ewing, vp-risk management for Harrah's, declined to provide specific limit amounts.

But above the separate EPLI and GL towers sold to Harrah's by National Union and ACE, Cincinnati-based Great American Insurance Group and Bermuda-based Endurance Specialty Holdings Ltd. sell Harrah's the blended excess EPLI and GL coverage in a 50/50 quota-share arrangement between the two insurers.

Their contract language provides the EPLI coverage as an endorsement to their general liability policies, Mr. Darr said. Although the coverages are blended, the policies provide separate EPLI limits from the general liability component.

"This is the only program I have ever seen (with EPLI coverage) blended in with the casualty insurance," Mr. Darr said. "Most casualty carriers would not structure this program."

But the insurers agreed to the arrangement because of the large layers that Harrah's would have to exhaust before insurers became liable for an EPLI loss, Mr. Darr said. It would take an award stemming from a large class action lawsuit to pierce the layers.

By integrating Harrah's EPLI into its excess casualty program, instead of purchasing it on a stand-alone basis in the executive liability marketplace, Harrah's reduced its premium by about 50%, Mr. Darr said.

—By Roberto Ceniceros

Claims: Medical review used in general liability cases

CONTINUED FROM PAGE 24

vices have saved Harrah's millions of dollars over several years by eliminating unnecessary treatments, Mr. Davis said.

Mr. Davis oversees three managers, each with responsibility for claims filed in three different regions of the country. In addition, Harrah's contracts with Memphis, Tenn.-based Sedgwick Claims Management Services Inc. for TPA services that include 53 claims professionals dedicated to handling his account.

In 2006, the claims team closed out 8,994 general liability claims and thousands more workers comp claims, Mr. Davis said.

But Harrah's doesn't pay Sedgwick on a fee-per-claim basis as some employers do. Instead, Harrah's pays Sedgwick a flat fee based on factors such as the adjusters' salaries and the expense of closing claims.

The program prevents Harrah's TPA expenses from shooting "through the roof." That would otherwise happen during summer months when tourists flock to certain casinos and claims spike, Mr. Davis said.

"So if an adjuster (closes) 10 or 50 claims, we pay them the same amount of money," Mr. Davis said.

A few years ago Mr. Davis said he estimated that forgoing the fee-per-claim payment system saved about 10% to 15% in costs.

Congratulations
Lance Ewing
for being named Risk Manager of the Year

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Harrah's weighs land investment as asset for captive

From hurricanes to terrorism, facility has served as backstop

By ROBERTO CENICEROS

The risk management department at Harrah's Entertainment Inc. is exploring buying land as an investment for one of its captives.

Whether to invest in land as an asset for the company's Bermuda-based facility has not yet been decided, emphasized Lance J. Ewing, vp-risk management for Harrah's.

Doing so would reduce excess liquid assets built up in the captive, Aster Insurance Ltd., but it also would help its parent company have land for future expansion projects, said Debbie Burd, director, financial services for the company's risk management department.

The captive's liquidity ratio, a measurement of its cash assets and ability to pay short-term obligations, is approximately 150%, Mr. Ewing added. Captive regulators commonly require a liquidity ratio of at least 75% of expected liabilities.

Harrah's owns three captives that include the Bermuda facility. Formed in 1990, Aster supports its parent's property and casualty programs.

On the property side, Harrah's individual operating units must pay the first $200,000 of any loss. Above that amount, Aster provides up to $5 million in insurance. Harrah's retains an additional amount above the $5 million layer before coverage kicks in from its insurers and reinsurers.

Aster excludes coverage for catastrophe losses, such as those caused by hurricanes, Ms. Burd said. The facility, however, has played a vital role in helping Harrah's mitigate the impact of catastrophes on its insurance markets.

After the Sept. 11, 2001, terrorist attacks, for instance, the captive temporarily filled a layer when property insurers could not provide the capacity. Following the 2005 Gulf Coast storms, Aster also took on more risk, which helped Harrah's access reinsurance, Ms. Burd added.

'This is a little creative. I don't know too many people that have done that with their captive.'

Debbie Burd, Harrah's Entertainment

On the casualty side, Aster covers Harrah's large self-insured retentions for general liability and workers compensation claims. Mr. Ewing declined to provide details of Harrah's casualty retention amounts, but said management at each Harrah property is responsible for a large retention "so that they have skin in the game for preventing and mitigating casualty claims."

Apart from Aster, Harrah's also owns a Barbados facility that is in runoff, Ms. Burd said. Harrah's acquired the Barbados captive, Red Oak Insurance Co. Ltd., when it purchased another gaming company.

The Barbados facility's previous owners managed it differently than the way Harrah's operates Aster. So instead of conducting a loss portfolio transfer and moving the acquired captive's risks into Aster, Harrah's will let the Barbados facility expire when all of the claims close out eventually.

In 2006, Mr. Ewing formed another Harrah's captive, Romulus

Continued on next page

GAMING GIANT

Memphis, Tenn.-based Harrah's Entertainment Inc. says it is "the world's largest provider of branded casino entertainment." Many of its brands are associated with legendary casinos and include Caesars, Harrah's, Horseshoe, Bally's, Flamingo, Paris, Rio, Showboat and Harveys. Harrah's properties are spread throughout 50 locations in 13 states and six countries, with other properties under development.

As of mid-June 2006, the company's assets included:

2,677,452 square feet of casino space

1,575,770 square feet of convention center space.

63,335 slot machines

30,793 hotel rooms

6,522 hotel suites

2,256 table games

469 poker tables

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CONTINUED FROM PREVIOUS PAGE

Risk & Insurance Co. Inc. in Nevada. Harrah's uses that entity for terrorism coverage arrangements including accessing the federal Terrorism Risk Insurance Act backstop.

Additionally, Mr. Ewing said he has nearly completed arrangements that will allow the Nevada captive to write third-party coverage for entertainers and other vendors that conduct business with Harrah's. The Nevada captive also could be used to write employee disability coverage, Mr. Ewing said.

And should the U.S. Treasury Department ever restrict current advantages for U.S. companies using offshore captives, as was considered a few years ago, Harrah's could readily move its business to a U.S. facility, Mr. Ewing said.

Atlanta-based Beecher Carlson Holdings Inc. manages the Nevada and Bermuda captives, and Mr. Ewing serves as board executive for Aster and as president of Romulus.

Ms. Burd serves as vp and treasurer of Aster and sits on its board. She is also immediate past chair of the Minneapolis-based Captive Insurance Cos. Assn. and currently is part of CICA's executive committee.

For an admitted captive, land is an asset under Bermuda regulations, Ms. Burd said. Few captive owners, however, take advantage of that.

Under the plan she has evaluated for Harrah's, the captive could purchase land while the parent could pay for an option to buy the land. That arrangement would allow the captive to earn an option fee that would offset interest income lost on the money spent to purchase the land.

"That is a little creative," Ms. Burd said. "I don't know too many people that have done that with their captive, yet (land is) an asset that is increasing in value."

The arrangement is on hold, however, Ms. Burd said.

That's because Harrah's shareholders on April 5 agreed to a $90 per share merger with affiliates of private equity investors Texas Pacific Group and Apollo Management L.P. Harrah's said, pending regulatory approvals, the deal to take the company private could be completed by the end of this year.

Ewing pushes staff to path of success

Quest for ongoing education mixes with fun-loving attitude

By ROBERTO CENICEROS

The risk management department at Harrah's Entertainment Inc. works hard and plays hard.

An aluminum foil ball rests atop Darren Tupman's office bookcase. Mr. Tupman, senior manager-risk control for Harrah's, kept the ball as souvenir from the time coworkers foil-wrapped every item in his office—from his stapler to the doorstop. The foil incident was retribution for a prank Mr. Tupman pulled on a colleague, inspired by the television comedy "The Office," in which he put a stapler in a gelatin mold.

He wasn't surprised his colleagues went to such lengths for a laugh in revenge, Mr. Tupman said. His boss, Harrah's vp of risk management, Lance J. Ewing, encourages fun among his staff.

But Mr. Ewing also demands achievement from his department of 16 corporate-level employees and 31 risk control managers.

Apart from their demanding work schedule, Mr. Ewing requires that they continually pursue professional designations and professional development courses.

Employees can grow stale in their thinking because some risk management roles do not introduce them to enough new concepts, Mr. Ewing said. Requiring that they continually upgrade their education also helps diminish a stereotype that risk managers only understand insurance purchasing.

"With things like enterprise risk management, hedging, derivatives and new types of risks, I want my staff to get exposed to those things that they normally wouldn't if they just handled claims, or they just did safety, or if they just handled insurance," Mr. Ewing said.

It's also part of Mr. Ewing's nature to push those around him to succeed.

"My viewpoint is...you need to push yourself out of your comfort zone when it comes to education, and if you don't push yourself, then sometimes you need a little nudge from the boss," Mr. Ewing said. "I never ask (employees) to do anything I wouldn't do myself, and I think it is very important that they are always in the learning mode."

His own educational achievements include two master's degrees, one in occupational safety and engineering and a second in law and justice.

He holds the Associate in Risk Management and the Certified Risk Manager International designations. Mr. Ewing is also a faculty member for the CRM designation, and a board member and instructor for the Austin, Texas-based National Alliance for Insurance Education & Research. (see story, page 30).

Family and colleagues describe Mr. Ewing as a perfectionist who rarely ceases working.

Each morning when Roger Davis, Harrah's director of claim management, arrives at work at 7:30 a.m., Mr. Ewing is already there. And Mr. Ewing is still there when he leaves, Mr. Davis said.

The work goes on into the night and on weekends.

"I get e-mail from him on Friday nights, Saturdays, Sundays," Mr.

See **ACHIEVE** next page

Achieve: Ongoing learning

CONTINUED FROM PREVIOUS PAGE

Davis says. "With a BlackBerry, Lance is always around."

The demands that Mr. Ewing places on his staff members can be tough, some of them admit. But they also say he never lacks confidence in them, doesn't micromanage their work and helps drive their success.

Pushing staff to succeed

The success is marked by an array of awards, professional certifications and leadership roles.

Scott M. Lee, Harrah's risk administration manager in Las Vegas, for instance, is this year's winner of the Risk & Insurance Management Society Inc.'s Cristy Award. The Cristy is presented each year to a risk manager who scores the highest academic average for the three examinations required in the ARM program.

Other staff members also are pursuing educational opportunities.

"Eventually, one day I want to be Lance, and to do that I need to have more knowledge of claims and loss control," said Angela Miller, insurance services manager for Harrah's.

She recently obtained a CRM designation and is working toward an Associate in Claims designation and plans to pursue an ARM.

With two children at home, pursuing designations is challenging, she said. But the continuing education benefits her children while broadening her knowledge of the insurance industry, Ms. Miller said.

Before Mr. Ewing became her boss, she felt "pigeonholed" in her work roles, she said. She didn't strive for the professional success to which Mr. Ewing drives her.

"I'm very grateful that (Mr. Ewing) has pushed me to do what I have done," she said. "He's a great mentor and he pushes you out of your comfort zone to do things that you might not have ever thought you could do."

The same is true at home, says Kimberly Ewing, Mr. Ewing's wife. Over the years, he has challenged her to pursue promotions during her nursing career that she otherwise thought she couldn't attain, Ms. Ewing said.

At Harrah's, Mr. Tupman said his risk control efforts require regular travel and 13-hour workdays inspecting company properties. Yet he is also earning an ARM designation and says he doesn't think Mr. Ewing's educational requirements are unreasonable.

"Frankly, I might not be doing that if it were not for Lance wanting me to have that on my objectives," Mr. Tupman said of his ARM pursuit. "It's a very good thing."

Others in Harrah's risk management department can similarly rattle off the designations they're pursuing.

"I received an ARM at the end of last year, so I am going to start working on my CRM," said Mary C. Oddo, supervisor-risk control for Harrah's. Everyone in Harrah's risk management department is "pretty driven," she said.

Some of that drive predates Mr. Ewing's arrival at the company.

Debbie Burd, Harrah's director of financial services, risk management, is immediate past chair of the Minneapolis-based Captive Insurance Cos. Assn. and serves on CICA's executive committee. Ms. Burd joined Harrah's 11 years ago and she joined CICA in 1999 to learn about captives and work her way up in the organization.

The risk management department's drive also earns its staff internal recognition.

Mr. Davis recently garnered the Chairman's Award for the long hours spent on post-hurricane recovery efforts.

His job was a full-time effort before 2005's hurricanes damaged or destroyed several Harrah's properties. Afterward came many more hours of work, including travel to Harrah's damaged Gulf Coast properties and endless hours of meetings to settle the resulting property claims, he said.

The recognition accompanying his Chairman's Award was a welcome change from the usual role of addressing problematic claims.

"We are in the problem business here," Mr. Davis said. "I don't deal with people every day because they are happy. They have claims, they are unhappy, they have a problem and I am the problem solver. I hear horror stories every day, so it's nice to get some positive feedback from people that you work with."

CRM reflects rigorous courses

The Certified Risk Managers International designation offered by the Austin, Texas-based National Alliance for Insurance Education & Research consists of five, 2½-day courses.

Earning the CRM designation requires passing rigorous exams in five areas: principles of risk management, control of risk, analysis of risk, finance of risk and the practice of risk management.

In 2004, the National Alliance announced a scholarship, the Lance J. Ewing RIMS and CRM Fellowship, to be awarded exclusively to Risk & Insurance Management Society Inc. members. The scholarship was established to recognize Mr. Ewing's leadership and accomplishments. He was an early recipient of the CRM designation, now in its 10th year.

Mr. Ewing's accomplishments also include representing the CRM program on the National Alliance's Certified Insurance Counselor board. He also is a National Alliance faculty member teaching the practices of risk management.

For information on the CRM, visit *www.scic.com*.

—By Roberto Ceniceros

Celebrating the Risk Manager of the Year

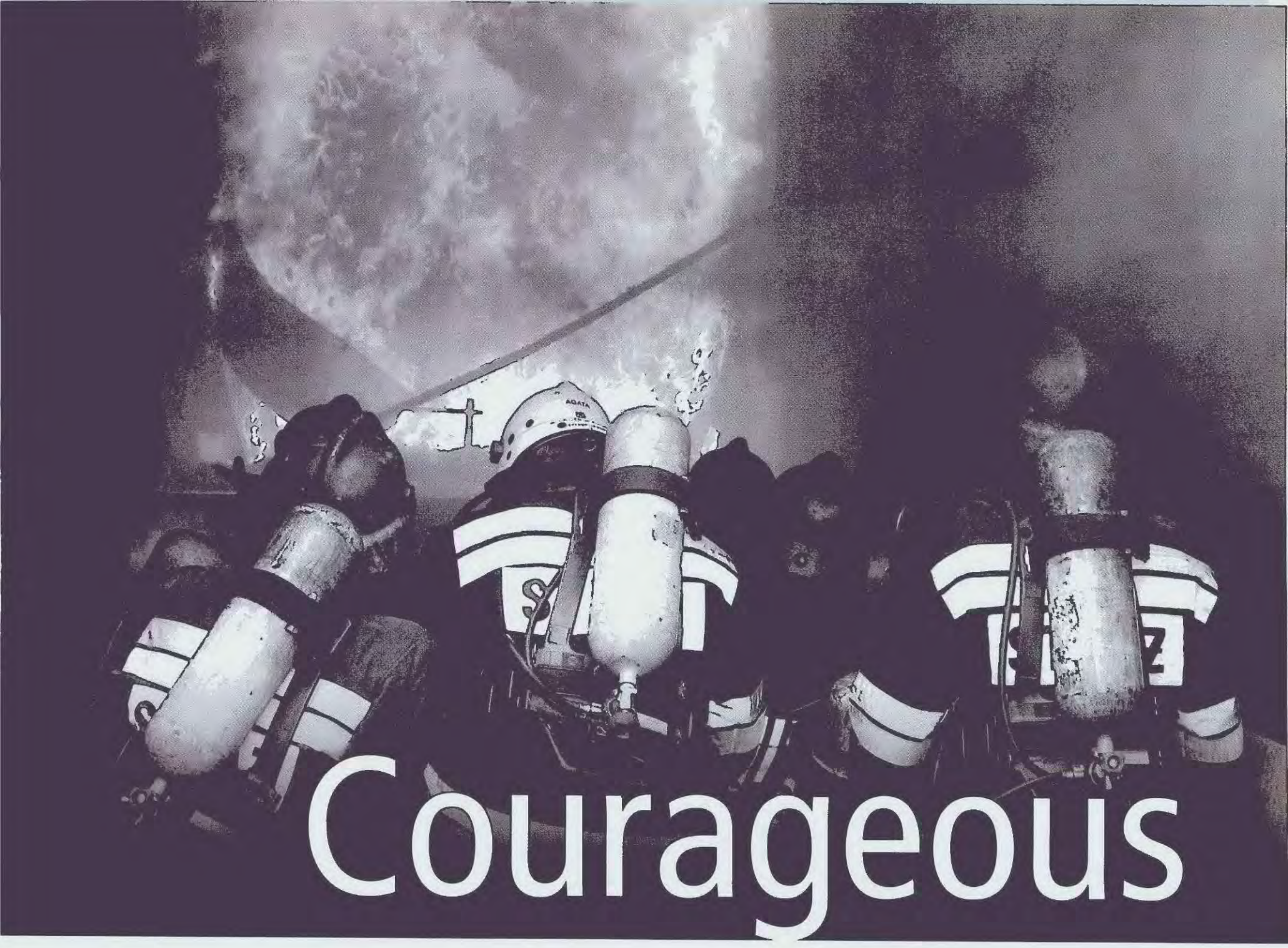
Among guests attending a recent private luncheon in Memphis, Tenn., for Lance J. Ewing, vp-risk management of Harrah's Entertainment Inc., were executives from Harrah's co-broker, Willis Group Holdings Ltd.: from left, John Baker, vp, Willis' Alabama operations; Dan Prince, group director of communications; Don Bailey, chief executive officer, Willis North America; Joe Plumeri, chairman and CEO, Willis Group; Lance Ewing, the *Business Insurance* 2007 Risk Manager of the Year; Joyce Johnson, vp, Willis' Alabama operations; John Bullock, president, Willis' Mississippi operations; Vernon Ewing, vp, Willis' Alabama operations; Wayne Herrington, national partner, region head, Willis' Southeast region; and John Shorten, senior vp, Willis' Tennessee operations.

From left: Tom Golub, chief executive officer, Beecher Carlson Holdings Inc.; Lance Ewing; and Joe Plumeri, chairman and CEO, Willis Group Holdings Ltd.

Harrah's third-party administrators, from left: G. Bryan Thomas, president and CEO, Cannon Cochran Management Services Inc.; Lance Ewing; and David A. North, president and CEO, Sedgwick Claims Management Services Inc.

Also attending the luncheon were executives from Lance Ewing's co-broker, Beecher Carlson Holdings Inc.: from left, Bradley Darr, senior client executive; Hunter Jones, client service manager; Tom Golub, CEO; David Sellars, senior vp; Lance Ewing; Jeffrey Lattmann, managing director, Beecher Carlson; Steve Denton, chief operating officer; Jason Flaxbeard, senior managing director; and Scott Davis, executive managing director.

PHOTOS: MICHAEL MARCOTTE



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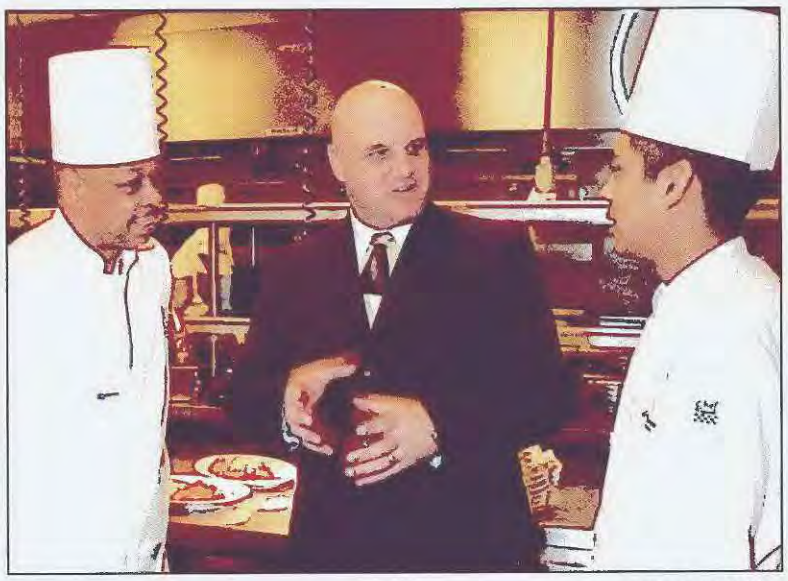

MICHAEL MARCOTTE

Working with staff on safety issues, Lance J. Ewing, vp-risk management for Harrah's, speaks with Ronnie Hicks (left), chef, and Gerna Gabriel, for the Augustus Café at Caesars Palace in Las Vegas. Harrah's employees can earn "safety chips" for reporting a potential safety problem, which can be redeemed for prizes. Employees can also earn safety chips if they purchase slip-resistant footwear to prevent slips and falls.

Employees ante up on safety program

By ROBERTO CENICEROS

It's not every day that risk managers can tally up the number of lives saved by one of their safety programs.

But Mary C. Oddo, supervisor-risk control for Harrah's Entertainment Inc., oversees the risk management department's purchase of automated external defibrillators—computerized emergency medical devices made to treat cases of cardiac arrest.

Ms. Oddo ensures that Harrah's employees most likely to put an AED to use comply with American Heart Assn. training standards and she tracks the number of times Harrah's employees successfully use an AED. Since 1999, AEDs have saved the lives of 179 Harrah's guests and employees.

"Seeing that number go up by 30-some people every year, that really is the most gratifying part of the entire program," she said.

Most of Harrah's employees trained to use the AEDs are security personnel or emergency medical technicians, Ms. Oddo said. But some risk control managers at individual Harrah's properties have also trained to use them and can train co-workers to use them also.

Another of Ms. Oddo's duties is tracking the number of "safety chips" awarded to Harrah's employees.

The chips are just that—poker chips with numbers etched in them. Each time an employee reports a potential safety problem, he or she receives a chip to redeem for a prize or accumulate for larger prizes.

Purchasing slip-resistant safety shoes also earns a point "because slips and falls represent a huge percentage of our workers comp claims," Ms. Oddo said.

A safety chip redemption catalog shows prizes employees can earn. For example, with a single chip, employees can get a shower radio or an alarm clock. Five chips allow them to select a fish fryer, the most sought-after prize in the catalog, Ms. Oddo said, while 15 chips earn a DVD or MP3 player.

Potential safety problems that employees might report include carpet tears, which could trip an employee or guest; or a busy corridor intersection needing a mirror to prevent workers from crashing into each other, such as in a food-handling area.

During 2006, Harrah's issued 14,842 safety chips to 6,552 employees, Ms. Oddo said. To earn a chip, employees must provide certain details that get collected and analyzed for trends, Ms. Oddo said. For example, reports of a number of carpet tears could mean a Harrah's property must replace the entire rug, rather than just repair it.

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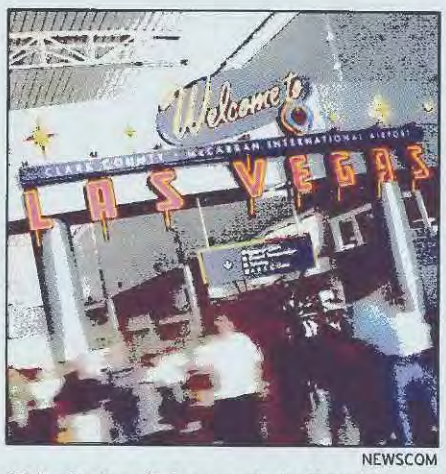
Agency Specialty Product Network Insurance Services, Inc.

Harrah's has tight grip on aviation operations

Firm oversight greatly reduces risks, eases policy renewals

By ROBERTO CENICEROS

Harrah's Entertainment Inc. takes a very active hand concerning insurance, aircraft maintenance and pilot training when it comes to independent charter flight companies that want to bring in groups of people to a Harrah's facility.



NEWSCOM

With charters flying guests to Harrah's properties in Las Vegas and elsewhere, the aviation department has a lot to monitor.

Harrah's risk management department tracks dozens of charter operators that fly planeloads of guests to its properties more than 1,000 times each year, said Marc Kamler, manager of insurance and risk services for the Memphis, Tenn.-based gaming company.

The risk management department also purchases first-dollar hull and liability coverage for Harrah's own aircraft from a New York-based underwriting pool, U.S. Aircraft Insurance Group. Harrah's owns six aircraft—each of which costs tens of millions of dollars—that are capable of transcontinental flights. The aircraft mainly transport Harrah's employees, but occasionally they also transport guests.

A limited number of insurers provide hull and liability insurance for such a fleet, Mr. Kamler said. But Harrah's Las Vegas-based aviation department helps ease coverage renewals by maintaining a top-notch operation that puts underwriters at ease, Mr. Kamler said.

The risk management department takes USAIG underwriters, and any other insurers providing a renewal quote, on a tour each year to examine the flight operations.

"I can take them out there unannounced any day and not have to worry," Mr. Kamler said. "They run a tight ship."

The annual insurer tours are mandatory, added Lance J. Ewing, Harrah's vp-risk management.

For private charter flights, the risk management department works to mitigate potential liability that could arise if an aviation accident were to occur involving a charter operator that sold a trip to one of Harrah's casinos.

Liability could follow if the operator used one of Harrah's brand names to market the excursion. Additionally, managers for individual Harrah's properties often provide

Continued on next page

Training offers insider's view

Should Harrah's Entertainment Inc. ever face a catastrophic aviation accident, one of its risk control managers will have an insider's view of federal investigation procedures.

The risk control manager, Greg Hanusey, enrolled in a recent 11-day aircraft accident investigation course offered by the National Transportation Safety Board's training center in Ashburn, Va.

The center teaches investigation techniques to federal investigators and the members of the nation's "transportation community," according to the NTSB.

Harrah's owns several aircraft, and charter operators carry guests to its properties more than 1,000 times each year.

Should one of those aircraft ever crash, the NTSB training will help Harrah's risk management department gain better understanding of the federal investigation that will surely follow, said Lance J. Ewing, vp-risk management for the gaming and entertainment company.

The information could prove useful to help minimize litigation, among other things.

"It gives us an opportunity to find out what is (happening) on the other side of the yellow tape they put up in a crash situation," Mr. Ewing said. "It gives us more opportunity to dialogue with the investigators. It gives us the opportunity to get information we normally wouldn't have gotten unless it was through legal channels, and I would much rather discuss than litigate."

It also helps the risk control manager meet Mr. Ewing's requirement that his staff continually upgrade their risk management education.

—By Roberto Ceniceros

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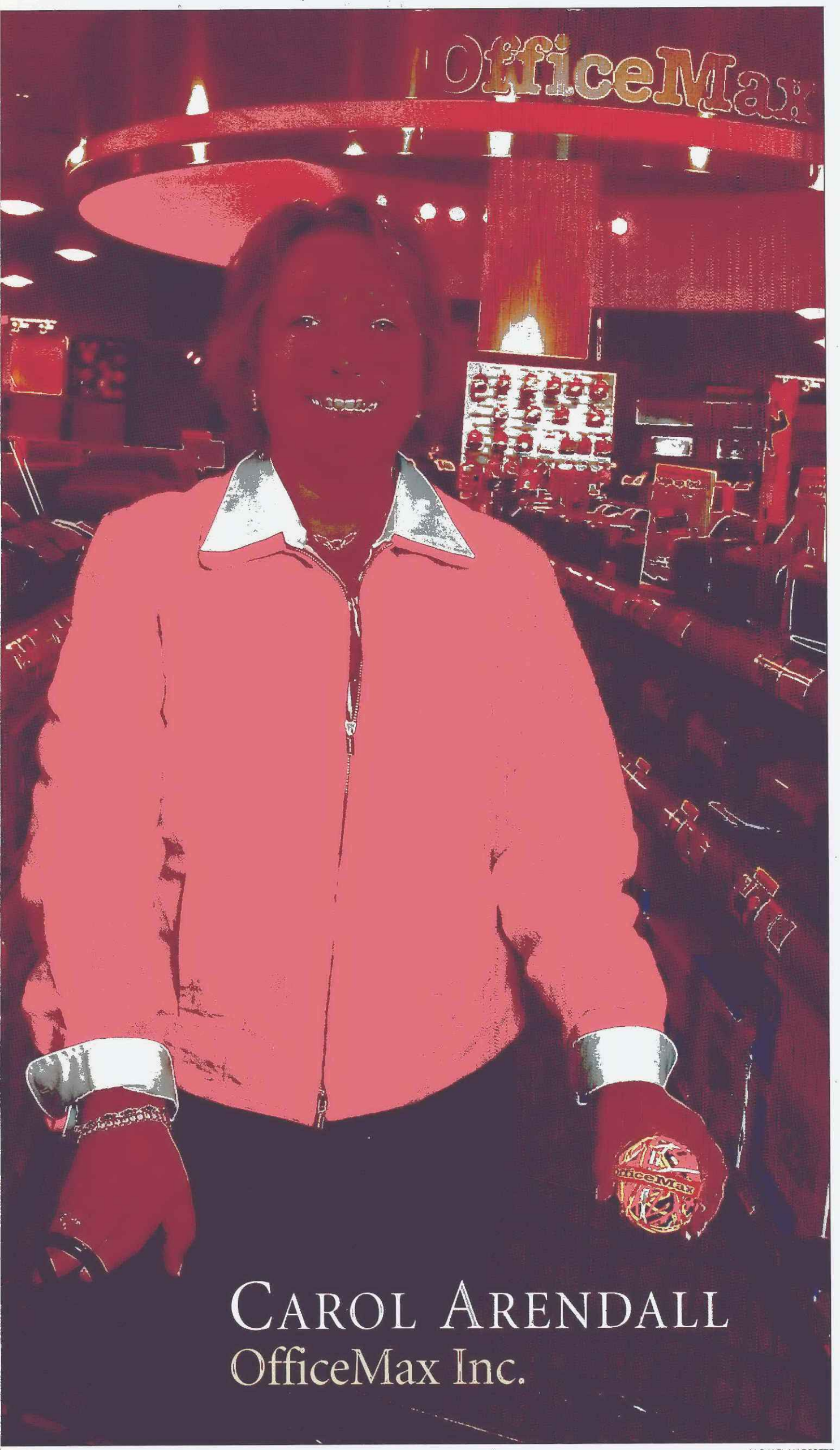

MICHAEL MARCOTTE

Arendall created department from scratch

OfficeMax risk manager finds listening to be a key skill

By MARK A. HOFMANN

How do you build a risk management program and department from scratch?

That was the question facing Carol Arendall in May 2005 when she became head of risk management at Naperville, Ill.-based OfficeMax Inc.

That she managed to do so—and do so effectively—in such a short time has earned Ms. Arendall, now OfficeMax's senior director-risk management, a place on *Business Insurance*'s 2007 Risk Management Honor Roll.

OfficeMax was finding its sea legs when Ms. Arendall came aboard. Boise, Idaho-based Boise Cascade Corp. had acquired Cleveland-based office supply retailer OfficeMax in 2003. Then, in late 2004, Boise Cascade changed its name to OfficeMax, and sold the paper and forest business associated with the name Boise Cascade.

The new OfficeMax focused itself as a retail and business-to-business contract provider of office supplies and services.

"We started from scratch and we had the opportunity, with a clean slate, to establish risk management and other programs using some best practices," said John S. Jennings, senior vp and treasurer. "One of the challenges I had was to bring somebody on board who could enable that best practices transition from, one, the Boise Cascade operations and (two), the Cleveland retail headquarters to consolidate our risk management operations here in Illinois."

"OfficeMax Inc. today is the combination of our two operating segments—OfficeMax retail stores—we've got 912 of those, and OfficeMax contract, which is the B-to-B delivery of office products in three different markets," determined by the number of employees, said Mr. Jennings. The company also has international operations, primarily on the contract side of the business, in Canada, Australia/New Zealand and Mexico, he said. It currently employs more than 36,000 people worldwide, with about $10 billion in sales, split roughly between contract and retail business.

"The first thing I did was assemble a team that included someone to lead our risk management effort," and that leader was Ms. Arendall, Mr. Jennings said.

"The most difficult part was understanding what their new risk philosophy would be, because they really didn't have one prior to her arrival," said Elsa M. Lynch, senior vp at Marsh USA Inc. in Chicago, which is OfficeMax's broker.

Ms. Arendall said a key aspect of her risk management approach is listening to others.

"Probably the turning point in my career was when I realized I wasn't the smartest person in the world," she said. "And when I realized that the key thing is not who has the best idea, the key thing is being the best listener and understanding that when you listen to the people around you, when you listen to what their ideas are and you're willing to take their idea and make it your own, or take their idea and manipulate so it's a combination of

See **ARENDALL** page 38

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Tax librarian application leads to career in risk management

By MARK A. HOFMANN

Carol Arendall didn't set out to become risk manager of OfficeMax Inc.—or of anywhere, for that matter—when she applied for a job at Long Grove, Ill.-based CF Industries Inc. while still in college.

"I applied for the tax librarian's job and didn't get it, but they had another job in risk management," said Ms. Arendall, now OfficeMax's senior director-risk management. At the fertilizer manufacturer and distributor, she worked with the risk manager, Dave Haight, while finishing her work toward a bachelor's degree in business administration at Chicago's Roosevelt University.

The Chicago native said her final course in college was a business English class that required her to answer a help wanted ad in the newspaper with a cover letter and a resume. She saw an opening at Carson Pirie Scott & Co. and thought, "What the heck, I'll put a stamp on it and mail it off and see what happens."

She was hired by Carson's in 1985 and began a career in risk management, even though she says, "I'm not sure was it my goal to get into risk management."

Her career continued as Saks Inc. acquired Carson's during the 1990s.

"When I was at Saks, I went through multiple mergers. I went through a bankruptcy. I had a lot of different things I dealt with there, sort of in adversity. It put me in unique position that I was ready to come in here and do this position," Ms. Arendall said.

When she joined OfficeMax in mid-2005, Ms. Arendall thought, "It's retail. I know that—I've been doing retail most of my career."

But she found that OfficeMax and its challenges—including supply chain issues—were somewhat different from those she had dealt with before.

"The thing that's really neat about risk management is you touch all parts of the organization. You're not limited," she said. "We interact with every part of the organization. I work with everyone—it gives you a broad overview."

Ms. Arendall said she's "reasonably active" in the Risk & Insurance Management Society Inc., "but actually more active in the Marsh retailers group," which is affiliated with Marsh Inc. That's been particularly true during the past five or so years, she said. The group meets twice a year to discuss risks that are unique to the retail environment. Participants prepare their questions before the meeting, and the format "makes sure that everyone has an opportunity to talk," she said.

"When you do stuff like that, you actually get more out of it than what you give to it," she said.

Ms. Arendall, 50, is an avid runner who jogs every morning. She also likes to garden.

"You will never come to my office and not see flowers there," she said.

She and her husband, John, live in Mundelein, Ill. Their daughter, Celestia, is a second-year nursing student at Valparaiso University in Valparaiso, Ind.

Arendall: Listening a key skill

CONTINUED FROM PAGE 36

yours and theirs, you're essentially doubling your brain power."

"Carol paid careful attention to the low-hanging fruit that we all needed to grab with respect to showing improvement in our operating expense," said Mr. Jennings. "It wasn't just a matter of organization alignment; it really had to do with grabbing the low-hanging fruit so we could deliver some cost savings."

Ms. Arendall "has a true vision of what a risk management department should look like. That stems from her 20 years' experience in this field," said Ms. Lynch.

Noting that Ms. Arendall previously led risk management efforts at Saks Inc. in Milwaukee, Ms. Lynch said, "the Saks experience really helped her know what's important and where to focus her energy. When she started, there was so much to do that it was overwhelming, and we worked very closely together to try to prioritize and to take it one step at a time."

"She's just really a savvy risk management professional," said Ms. Lynch. "She's savvy and realistic and she doesn't just wait around—that's what makes her so unique."

"She also mentors other people. She's left a lot of people with a really strong foundation of risk management through her mentoring," she said.

"One of the words I think of is 'tenacity,'" said Mr. Jennings. "It has to do with the passion she brings to the job every day, which enables her to embody some of the core values around a sense of urgency, but she's always thinking of the company first and our customers first—again, another core value for OfficeMax."

"Today, while we always have room for improvement, we've accomplished quite a bit on our risk management functions," he said.

Ms. Arendall admits she continues to confront a major challenge.

"You don't know what you don't know," she said. "You hope you've done your due diligence, you hope that you understand everything that's out there and you hope you haven't missed something."

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OfficeMax's Carol Arendall thrives in the face of challenge

Developing program from the ground up tested her skills

By MARK A. HOFMANN

In the beginning, there was nothing—or at least next to nothing.

"I came here my first day, went through orientation, went back to my office. There was a computer, that was it—not a file, not anything," recalled Carol Arendall, senior director-risk management for Naperville, Ill.-based OfficeMax Inc.

The only other item she'd received was one sheet of paper that had the company's current insurance summary on it.

"That was it," she said.

It was a challenge, but one that Ms. Arendall met handily. She had spent two decades rising through the risk management ranks at Carson Pirie Scott & Co. in Chicago and then Saks Inc.—which had acquired Carson Pirie Scott—in Milwaukee, and had no plans to move.

"I spent almost 20 years at Saks," Ms. Arendall said. "You don't make a change lightly after you've been someplace almost 20 years. Saks was going through some organization changes and I was working on that when I got a call about this position at OfficeMax. I didn't have a resume out—it wasn't like I was thinking about it."

But "I found it kind of intriguing, knowing what OfficeMax was about to begin" in 2005, she said.

'Stars were aligned'

"I knew this was my destiny to come here. I really felt the stars were aligned for me to take this opportunity. You kind of feel this was the job that I'd worked my whole career to get here," Ms. Arendall said.

The changes and work she has accomplished since then have earned her a spot on *Business Insurance*'s 2007 Risk Management Honor Roll

"It was kind of a blank slate. Who wouldn't want that opportunity? Who wouldn't want that chance to come in, and you knew from the first day you got here that you made a difference?"

"I really think the biggest accomplishment was putting an effective risk management program in place with all the other balls rolling here. We knew we had to set up a new corporate office; we knew we had to put programs in place; we knew we had to solicit that information from other people in the organization to figure out what was going on," she said.

"I spent my second day thinking of the list of questions I was going to ask and spent the third day out in Boise, meeting with the folks out in the Boise group" in Idaho to discuss risk management issues.

She recalled that 2005 visit as being "challenging and exciting," and one in which she entered everything the Boise group said into her laptop computer.

"I think that's the key," she said. "You have to be a good listener and you need to solicit information" from internal and external partners. "You're just running through from one question to another question."

She also had to find what had been in place in Cleveland—OfficeMax's headquarters before the retail office supplies business was acquired by Boise Cascade. The two operations—the Boise paper products unit and the retail unit—had never been really integrated, she said.

'It was kind of a blank slate. Who wouldn't want that opportunity? Who wouldn't want that chance?'

Carol Arendall, OfficeMax Inc.

Ms. Arendall found listening to be the key to success in her new role as she put together a risk management program and department.

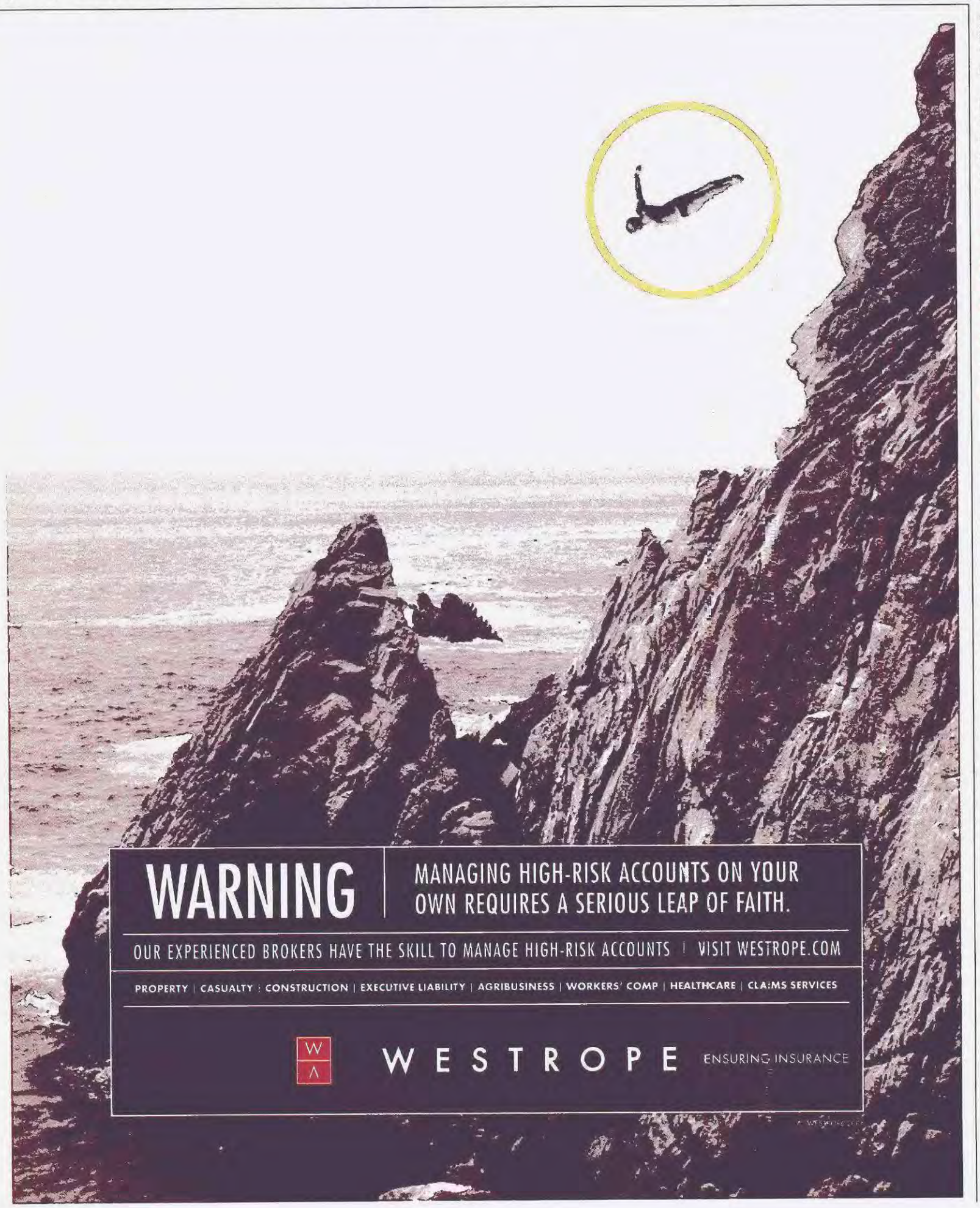
"First you have to listen," she said. "You have to not only listen to what your outside vendors are telling you, what the program is that's in place, because certainly you have to understand that. Then you have to listen to what your internal partners are telling you. So I spent a lot of time going through the checklist of who the internal partners are—loss prevention, safety, store operations, human resources, accounting, and trying to get information from each one of those functional areas to tell me what are their needs, what do they need from risk management, what are they looking for—so we can put the most effective program in place."

As a result, Ms. Arendall drafted what she calls "our opportunities list." Then she sat down with John Jennings, OfficeMax's senior vp and treasurer. They drew up a list of priorities with the understanding that not everything could be accomplished at once, she said.

Instead, they identified key items that needed to be done in 2005 and followed them with items that had to be dealt with in 2006.

For example, Boise Cascade had operated a Bermuda captive—Clearfield Insurance Co.—for decades, she said. The captive is cur-

See **CHALLENGE** page 44



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Safety–not retentions–is top priority

From building stores to cleaning them, the risk manager weighs in

By MARK A. HOFMANN

Carol Arendall's attitude toward risk is straightforward.

"Our key philosophy is risk mitigation and that's really where we want to go. Our goal is to eliminate as many claims as we can," said Ms. Arendall, senior director-risk management for Naperville, Ill.-based OfficeMax Inc.

She said that philosophy extends to both property and life safety. But even the best risk mitigation efforts aren't perfect. During her less than two years as head of the company's risk management efforts, Ms. Arendall has put together an insurance program that combines both the usual and not-so-usual coverages to protect the corporation.

OfficeMax does not release detailed information about its program, including limits and premiums paid. But Ms. Arendall did say that when she assumed her current post in 2005, "we wanted to understand what we had in place. You understand what you've got. Then you understand what enhancements you want to get—that was the major task for 2005 and 2006," she said.

"We look for long-term relationships. We're certainly not going to shop every piece of our program every year. But we had a real good opportunity when I first came on board. Everything was marketed, if not the first year then the second

See **COVERAGE** page 46

Challenge: Taking safety message to store associates

CONTINUED FROM PAGE 40

rently in runoff.

"It would be great if we were up and using the captive insurance company, but where would you put that in terms of what's the most opportune way for us to spend our time? It's a great thing, I think it's something we'll certainly look to use in the future, but the timing wasn't such that it was a priority for us."

"We certainly want to look at it going forward, but it was more important for us to do the basic blocking and tackling of risk management."

Ms. Arendall said that once she knew what the company had in place, she turned to outside resources to help make the most of opportunities. One of those was Marsh Inc.'s consulting group, which she called a "tremendous amount of help to us" in dealing with issues such as the size of staff needed and what roles those staffers should perform.

In addition to Ms. Arendall, the department currently consists of three claims people; one analyst; and a risk coordinator who handles certificates of insurance, a position created earlier this year.

Ms. Arendall calls bringing risk management down to the individual associate level her ongoing challenge.

"We've been very effective at bringing risk management within our corporate environment—we have great corporate partners who understand risk management, who understand the role, understand when they should get risk management involved—but I think it's more challenging at the individual associate level," she said.

Associates have to understand that everything they do can impact the company, and "I'm not just talking about insurance and claims," she said.

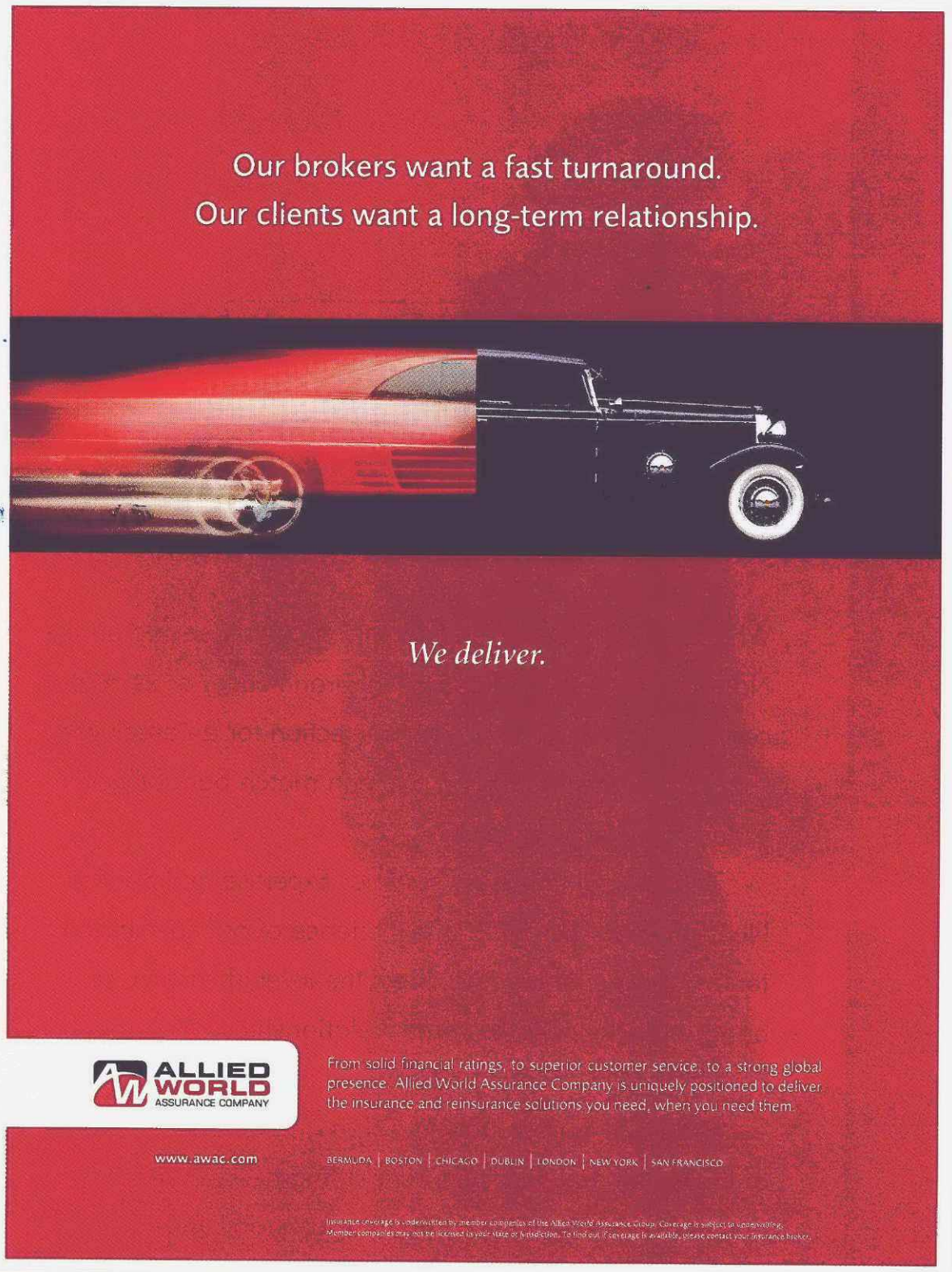
In fact, "every interaction they have with a customer impacts our company from a risk management standpoint. If you have a bad customer experience at a store, you may never shop there again."

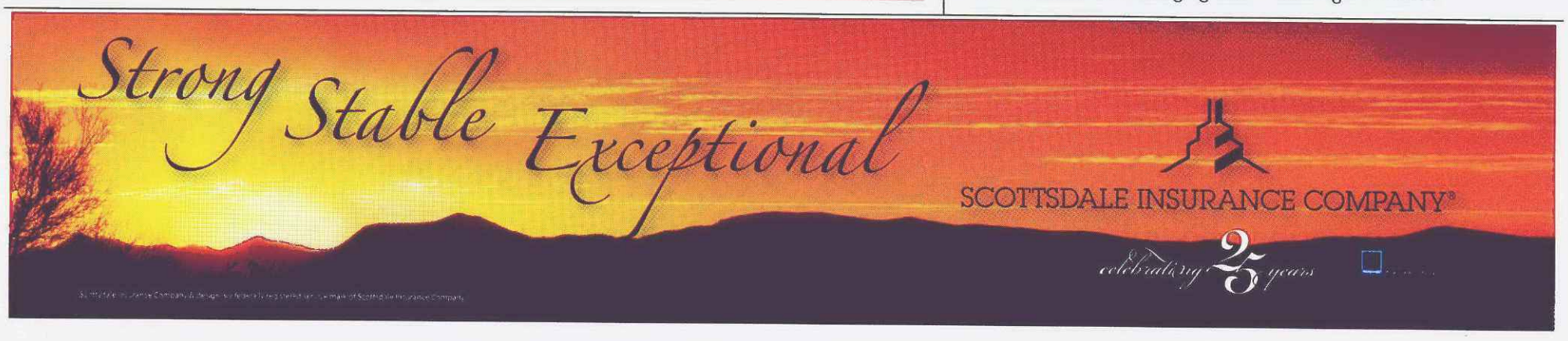
She cited as an example an associate who wants to be helpful by loading a printer into a customer's car. "We certainly want to make sure that they know how to put it in the car so they don't rip the car seat."

Risk management has training materials that it uses in conjunction with human resources personnel, said Ms. Arendall. "It's pretty much training the trainer."

MICHAEL MARCOTTE

Carol Arendall, senior director-risk management at OfficeMax Inc., works closely with John Jennings, the company's senior vp and treasurer.





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Coverage: Relationships with insurers build 'very strong partners'

CONTINUED FROM PAGE 44

year," she said.

Now "it's our intention to be relatively stable and continue on with the market relationships we already have."

The result was, for the most part, "your basic risk transfer program," she said.

"We have some very strong partners" in American International Group Inc. and its Lexington Insurance Co. unit, she said. They are the company's primary insurers for its property and casualty programs, she said.

Lexington also happens to be one of OfficeMax's "best customers," she said. "Last year, when we were negotiating our property," Ms. Arendall went to Boston and—literally the moment she got out of the cab—the OfficeMax truck pulled up to deliver Lexington's office supplies, she said with a laugh.

"All of our insurance relationships have been very good," she said. For example, Chubb Corp. provides financial products coverage while Factory Mutual Insurance Co., which does business as FM Global, participates on OfficeMax's excess property program.

Gallagher Bassett Services Inc. is OfficeMax's third-party claims administrator with AIG as the company's primary workers compensation insurer.

Marsh Inc. is OfficeMax's primary broker, and Ms. Arendall notes that she has had a long business relationship with Elsa M. Lynch, the Chicago-based Marsh USA Inc. senior vp who handles the OfficeMax account.

But not all of OfficeMax's coverages fall into the plain vanilla category.

For example, OfficeMax has a professional liability policy covering printers' errors and omissions, said Ms. Arendall. "We have a very large copy practice," with OfficeMax making "lots of photocopies for lots of people," and the company wanted to make sure it was covered if a problem arose from the company's printing business.

The policy, which AIG writes, "would come into play if say a small business who wanted to print a coupon for $5 off and it got printed $50 off," she said. "All of these people show up with the coupons—what do you do?" She added that such mistakes no longer happen frequently because printing jobs often consist of an exchange of electronic files.

Ms. Arendall also had to deal with insurance programs of OfficeMax's operations in Canada, Mexico and Australia/New Zealand.

"I had to understand what was out there," she said. "That was a bit of a challenge because our foreign operations had pretty much done their own thing. You wanted to try to understand when reaching out to those partners to find out what they had in place and how that ultimately rolls up to the corporate program."

Outside the United States

There was no one-size-fits-all answer to the non-U.S. programs. "In some cases, it made sense to centralize; in some cases, it made sense to continue to allow the local placements."

Ms. Arendall stressed that OfficeMax feels "very strongly about our market relationships, and about telling our story to our underwriters."

John S. Jennings, the company's senior vp and treasurer, will accompany Ms. Arendall on visits to underwriters, where she said he will emphasize "we are committed to risk mitigation, which supports our core values." Such senior management commitment comes through strongly in the meetings, she said.

On the property side, when FM Global Engineering points out a problem, OfficeMax responds by getting "the right people" in the room to address it, she said.

FM Global goes to all major facilities and conducts engineering surveys, she said. FM Global has been "very good about saying, 'Hey, these are the absolute things you're going to have to do and this is about how much this is going to cost you and these are fairly inexpensive fixes for things that we think you're going to get the best bang for your buck.' "

In fact, "we've changed the way we do our new-store plan by layering in the FM Global requirements," giving them to the contractor "so we don't have to go and redo things—it's part of what we're telling the builders—this is what we require," she said. "It's built into how we do it up front."

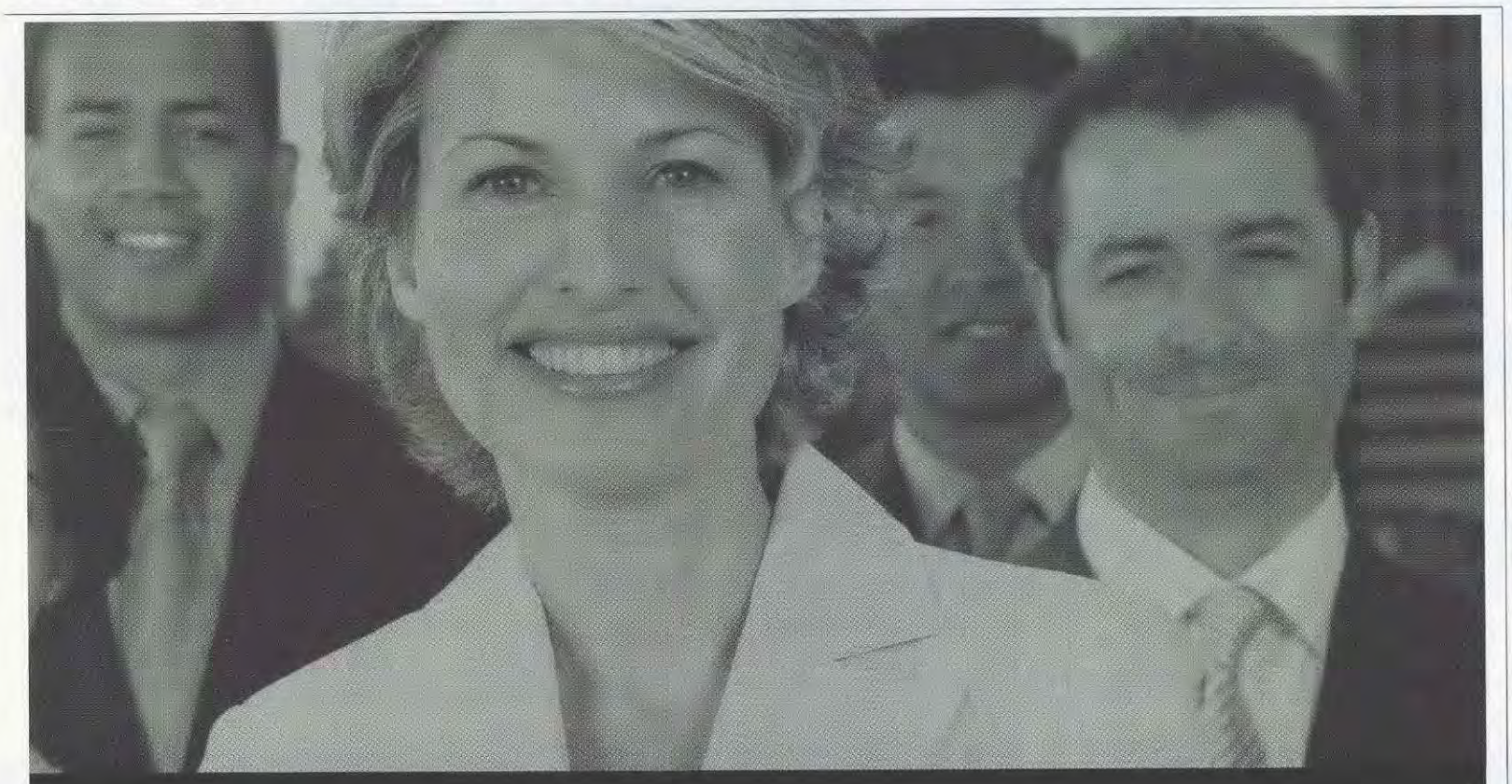
"Safety is part of our overall philosophy—that's both from life safety as well as from making our buildings safer from a property loss perspective. That's more of our focus, not so much 'Do I want to take this retention or that retention?' "

"And some of it, let's be honest, the market dictates what we're going to take," she said. "We're not in a situation where people are going to provide first-dollar coverage for a company our size."

Managing liability risks is key as well, and store managers form the front line in that effort. Accidents can "sure make for a poor customer experience."

"When you operate on the retail side—keep the stores clean and neat. When you're focused on housekeeping issues, that's really the best thing you can possibly do," she said.

"No slips and falls—keep your operations clean and neat. That is part of what our store managers are responsible for," Ms. Arendall said.



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Reducing OfficeMax losses a matter of preparation, prevention

By MARK A. HOFMANN

Removing risk factors alone cannot prevent every workers compensation claim, and dealing with claimants in an effective and humane way is key to getting people back on the job, said Carol Arendall, senior director-risk management for OfficeMax Inc.

"We're no different than anybody else, and workers comp is certainly an issue for everyone," said Ms. Arendall. "The first thing in dealing with workers comp is: These are our associates. These are our co-workers, and we treat them that way. They understand that's the way they're going to be treated."

"I think it's just as much my job to protect their lives as an associate as it is to protect the company. We do it because it's the right thing to do. We took a very hard look from a safety perspective at what we can do to reduce the potential loss."

Ms. Arendall said OfficeMax, which largely self-funds its workers comp exposures, tries to "get into the metrics of what's driving our claims."

She noted that most claims at OfficeMax, like most companies, involve back injuries and back strain. As a result, OfficeMax seeks to identify exactly where the injuries occur, she said. "Is it happening unloading the truck? Is it happening when we're stocking the shelves?" Once the problem area is pinpointed, the company can take remedial action.

An exposure not faced by all companies but one that is of concern to OfficeMax is ladder safety, she said.

"We take ladder safety very seriously," said Ms. Arendall. Ladders that go to the top of stock areas must be maintained to prevent injury, and OfficeMax has a maintenance program to do so, she said.

"But you can only engineer out so much in terms of your risk factors. We're very focused on lost-time days," she said.

"One of the most important things I think you can do is to make sure you don't have any barriers to providing the appropriate medical treatment to associates. So let's make sure they get the best possible medical treatment, which we hope is going to bring then the best possible outcomes," she said.

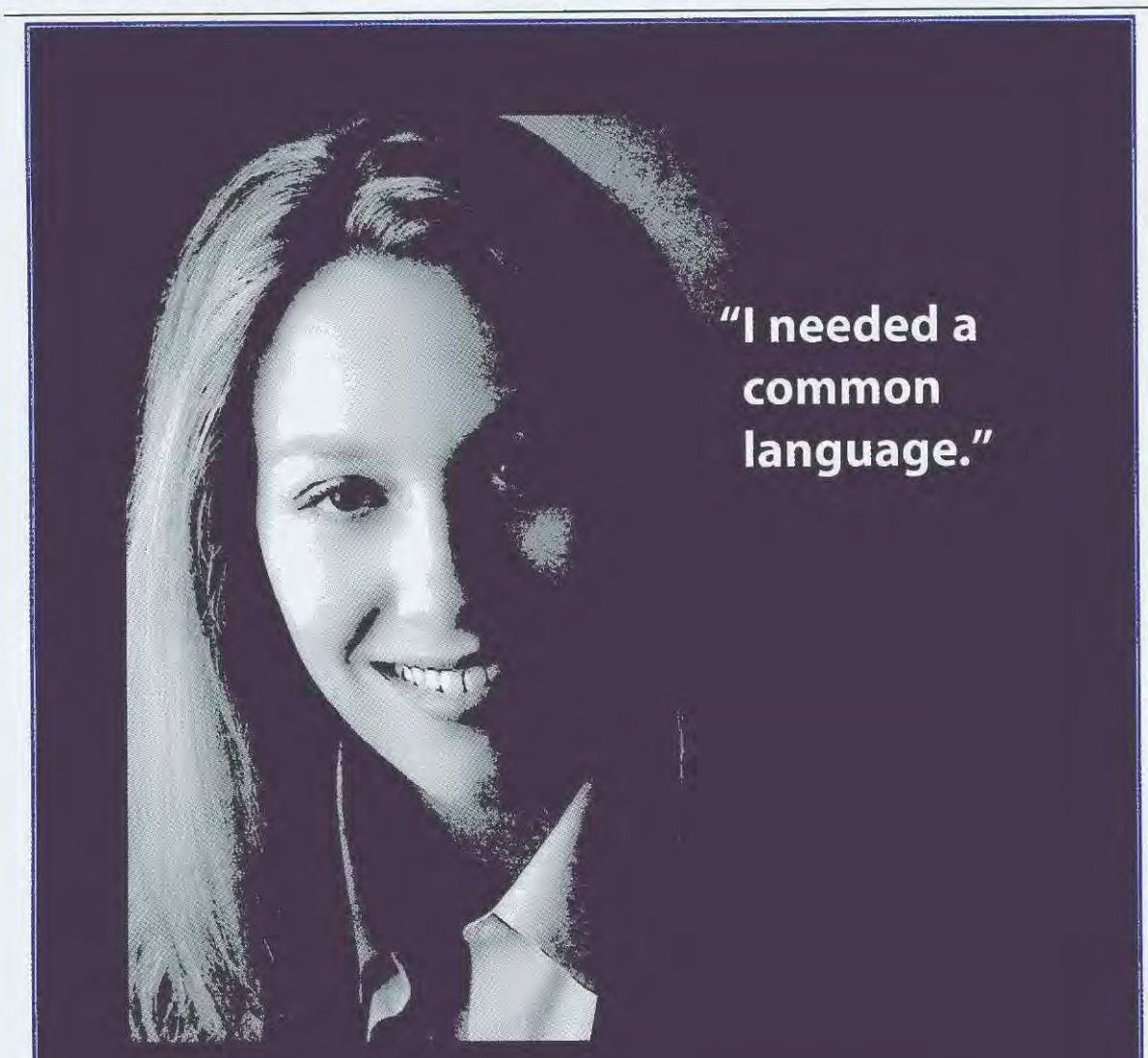
The company is rolling out a new program with Itasca, Ill.-based Gallagher Bassett Services Inc., its third-party claims administrator.

Gallagher Bassett conducted an analysis of OfficeMax's loss and location information, said Ms. Arendall. "They were able to identify for us best-in-class medical providers for 74% of our locations within five miles of the workplace. It's our goal, if we can identify the best-in-class medical care for our associates, in hopes that when the accidents do happen, we're getting the best possible medical care and we're also implementing a new triage program. When we have an incident, we have nurses reviewing that information at the front end to decide what cases it makes sense to use nurse case management" in an effort to reduce lost work days, she said.

"But I still think the optimum solution is not to have the loss," she said.

MICHAEL MARCOTTE

Caroll Arendall, director of risk management, top, with her staff, from left: Michelle Wersching, workers compensation claims specialist; Dena Abdallah, manager, claims; Melissa Cruz, risk management coordinator; and Mahwish Ternant, risk management analyst.



"And the Associate in Risk Management (ARM) program gave me the tools I needed. We defined a common language and expanded the organization's education about the risk management process, further empowering departments to make sound risk-based decisions. As a result, we are better able to understand risk and to standardize control and financing approaches, which enables us to focus on delivering quality products and services.

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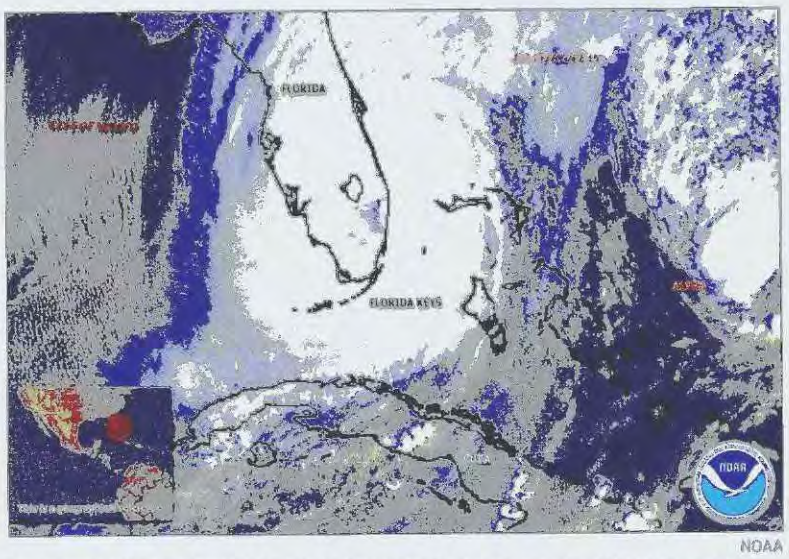


NOAA

Hurricane Wilma struck Florida in October 2005, damaging OfficeMax properties in Key West and Palm Beach Gardens.

Among challenges after Wilma, sorting sea life from office supplies

Key West store's surprise inventory made disposal a major concern

By MARK A. HOFMANN

As the nation struggled to recover from Hurricane Katrina during the fall of 2005, not many people initially paid much attention to a storm that grew into Hurricane Wilma. But for Carol Arendall, senior director-risk management for Naperville, Ill.-based OfficeMax Inc.—who'd been on the job for less than six months—Hurricane Wilma proved to be a challenge indeed.

"We were not as severely impacted at OfficeMax by Hurricane Katrina as we were with Hurricane Wilma from a property loss standpoint," said Ms. Arendall. Hurricane Katrina's impact for OfficeMax was more organizational, giving rise to challenges that concerned personnel more than property.

"Our stores may not have been as affected by Hurricane Katrina, (but) our associates were," said Ms. Arendall. "We had a lot of internal things going on here to reach out to our associates as well as corporate contributions to help with the effort, including at the Astrodome" in Houston, where many refugees from New Orleans took shelter.

Hurricane Wilma "just sort of came out of nowhere" when it struck Florida in late October 2005, said Ms. Arendall. "Our Key West store sits in a shopping center. I'm guessing it's a quarter mile off the ocean and a storm surge came through and put four feet of water in there—including fish, shrimp, the whole nine yards," she said.

'Our Key West store sits in a shopping center. I'm guessing it's a quarter mile off the ocean and a storm surge came through and put four feet of water in there—including fish, shrimp, the whole nine yards.'

Carol Arendall, OfficeMax Inc.

On the mainland of Florida, OfficeMax's Palm Beach Gardens store was hit by a microburst or tornado, she said. Wilma collapsed the roof of the OfficeMax outlet and a neighboring store, but a grocery store only 50 yards away escaped unscathed, she said.

"I was just caught off guard," said Ms. Arendall. Media coverage "hadn't made such a big deal out of it. I think the deal with Hurricane Wilma was just how long it lasted. It kind of stalled over Florida."

She flew to Key West on Halloween, a week after the hurricane struck. "I was clearly ill-prepared," she said. Her hotel lacked electricity, and revelers—primarily displaced residents—partied in the hallways, she said.

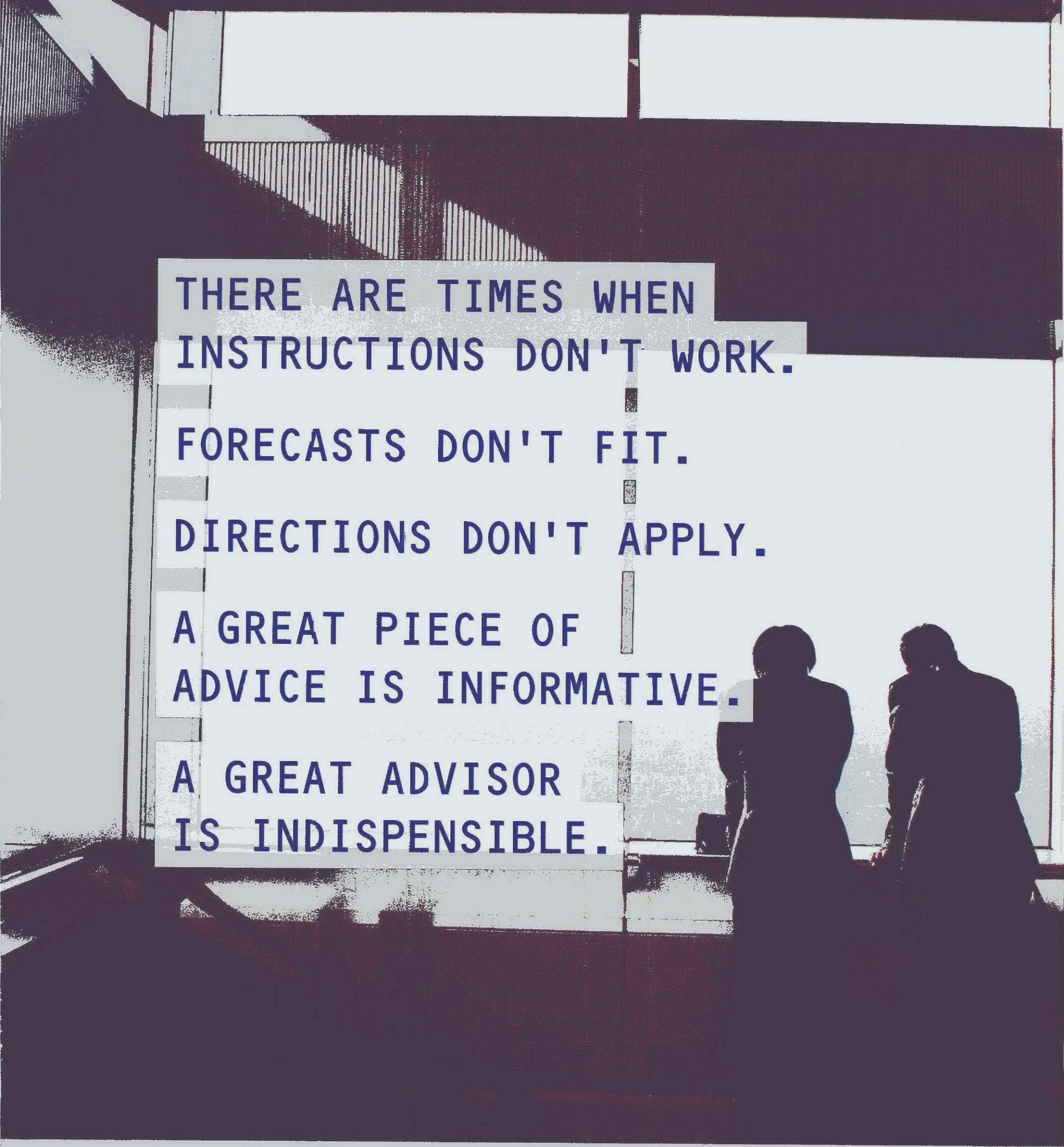
When she got to the store, she found more than a mess.

"They were picking up fish in the stockroom and throwing it out," she said.

But there was no place to throw it.

"One of the most difficult issues we had in Key West was getting Dumpsters. There are no garbage Dumpsters—you couldn't get them. Think about how far they have to bring a garbage Dumpster down. There's no place to put your

See WILMA page 52



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Wilma: Hurricane was a risk management challenge for OfficeMax

CONTINUED FROM PAGE 50

garbage. And they're very sensitive about garbage disposal."

An adjuster from Lexington Insurance Co.—OfficeMax's property insurer—went through the facility to check for damage. Then employees "got down to the business of hand-salvaging our merchandise," she said.

Ms. Arendall arranged to have trash containers brought in from a contractor in Miami. The loaded containers went back to Miami for emptying, she said. The arrangement saved both time and money as OfficeMax didn't have to join other businesses in the queue for the extremely limited number of dumpsters available in Key West—the final island connected to the mainland by a single highway.

Ms. Arendall encountered a grimmer situation in Palm Beach Gardens. In fact, the store was condemned initially, she said. "We got an engineer in there and got that uncondemned. We got our merchandise pulled out and got the building cleaned up," she said.

MICHAEL MARCOTTE

Carol Arendall, senior director-risk management for OfficeMax Inc., said Hurricane Katrina caused more personnel-related problems than property damage. Hurricane Wilma, though, was another matter.

The five-day trip through hurricane-ravaged South Florida "was the biggest odyssey of my career," said Ms. Arendall. She ran out of clean clothes and money and "nobody would take a credit card down there." ATMs didn't work and food was at a premium, she said. Traffic lights didn't work, and gridlock ruled.

Nevertheless, the Key West store reopened Jan. 5, 2006. Palm Beach Gardens "took a little bit longer" and reopened that June because of difficulty finding people to fix the roof, a task that was the landlord's responsibility. In most cases, the landlord insures the exterior of the store while OfficeMax insures its contents, Ms. Arendall said.

The storms tested OfficeMax's emergency response committee, she said. The committee consists of several permanent members, including risk management, as well as representatives of other departments brought in as needed.

"If we know a storm is approaching, the committee will meet and talk with the operations group," she said. Members seek answers to questions such as: "What do we need to do for the impending storm? How do they shut down computer systems; how do you bring that back up? How do you make sure they have sandbags?" she said. After the event, the committee must determine if stores have all that is needed to reopen as quickly as possible.

"But a real important part of the committee's responsibility is: Where are our associates and how are they?" Ms. Arendall said. The company's human resources department will set up a call center "where we can make sure we can keep track of our associates."

Like virtually every other business function, doing so was quite difficult in the wake of the storms. After Katrina, associates' cell phones didn't work and people fled their normal areas, she said.

A key question was making sure associates received their pay.

"That was probably one of the most challenging things," said Ms. Arendall. Without ATMs, getting cash to employees was no easy task. Ultimately, the company put out word that associates should go to the nearest OfficeMax store, even if they had temporarily relocated, so they could receive cash payments once the store confirmed that the people were indeed OfficeMax employees. The company worked with armored car services to get the cash where it needed to be, she said.

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MICHAEL MARCOTTE

Focus on education drives risk management decisions

Cutting cost of risk puts more money into the classrooms

By GLORIA GONZALEZ

When Scott B. Clark was recruited for the Miami-Dade County Public Schools' risk management department in 1986, he initially had doubts about working for a public entity.

At the time, Mr. Clark was working as a sales representative for Wausau Insurance Cos. in Miami. His supervisor, Robert Barrett, who was also an adjunct professor at the University of Miami teaching risk management, was asked by the district's risk manager, 1985 Honor Roll member Susan Weiner, to help find the right person to be her deputy.

Mr. Barrett encouraged Mr. Clark to apply for the position of assistant risk and benefits officer, but Mr. Clark was concerned about the politics involved in working for the school district.

"I said to him, 'The risk management piece is interesting, but I have no interest whatsoever in working for government,' " Mr. Clark said. "It was not ever in my wildest imagination that I would work for a public entity."

Despite his doubts, he interviewed for and eventually accepted the position, a decision he has never regretted in more than 20 years on the job. In 1999, he was promoted to his current post of risk and benefits officer of the huge Florida school district.

"I think I'm a very lucky person because I love what I do," Mr. Clark said, noting that his employer's product is the education of more than 360,000 children. "That's very rewarding."

Mr. Clark's long service as a public entity risk manager, his devotion to the education of the students of Miami-Dade County, and his visionary efforts to effectively minimize and manage the district's risks have earned him a place on *Business Insurance*'s 2007 Risk Management Honor Roll.

Those who know him best say it is a well-deserved honor.

"He is absolutely by far the most professional risk manager I've ever worked with," said David Marcus, vp, southeast regional manager for Arthur J. Gallagher & Co. (Florida) and a managing director of Boca Raton, Fla.-based Gallagher Public Entity and Scholastic Division. "He is a consummate professional," said Mr. Marcus, who has worked more than two decades as the school district's broker with Mr. Clark.

Every risk management decision Mr. Clark makes is driven by his ultimate goal of reducing insurance and risk management costs so that money can be devoted to educating the children, said Carol Erbs, assistant risk and benefits manager for the Miami-Dade County Public Schools. "He never forgets what the mission is," she said, "Not a week goes by that he doesn't remind us that our charge is the education of the children."

Working as a public entity risk manager comes with unique challenges. The biggest risk the school district currently faces is the way education is funded in Florida, Mr. Clark said. The state's funding formula rewards districts that are growing, so districts such as Miami-Dade County are being penalized because enrollment has decreased, he said.

The budgetary constraints necessitate developing a strategy to manage risk in the most cost-effective way possible, Mr. Clark said. "One of the things I think is a big challenge for us is to create meaningful ways to stem the outflow of dollars in the district because we're not seeing a lot of new dollars come in."

Despite his initial concerns, Mr. Clark said he has not been drawn into the politics involved in work-

See CLARK page 56

SCOTT B. CLARK

TITLE: Risk and benefits officer, Miami-Dade County Public Schools, 1986-present

PREVIOUS EXPERIENCE: Sales executive, Wausau Insurance Cos. 1984-1986; Claims manager, Alexsis Risk Management Services Inc. 1982-1984; Multiline claims adjuster, Crum & Forster Insurance Cos. 1980-1982

PROFESSIONAL AFFILIATIONS: Risk & Insurance Management Society Inc.; Florida Educational Risk Management Assn.; South Florida Chapter of Public Risk & Insurance Management Assn.; State and Local Government Benefits Assn.; State of Florida Workers' Compensation Advisory Board; Florida Health Care Coalition.

EDUCATION: Accredited advisor of insurance, 1985, Insurance Institute of America, Philadelphia; Bachelor of science, business administration, 1980, University of Illinois, Urbana, Ill.

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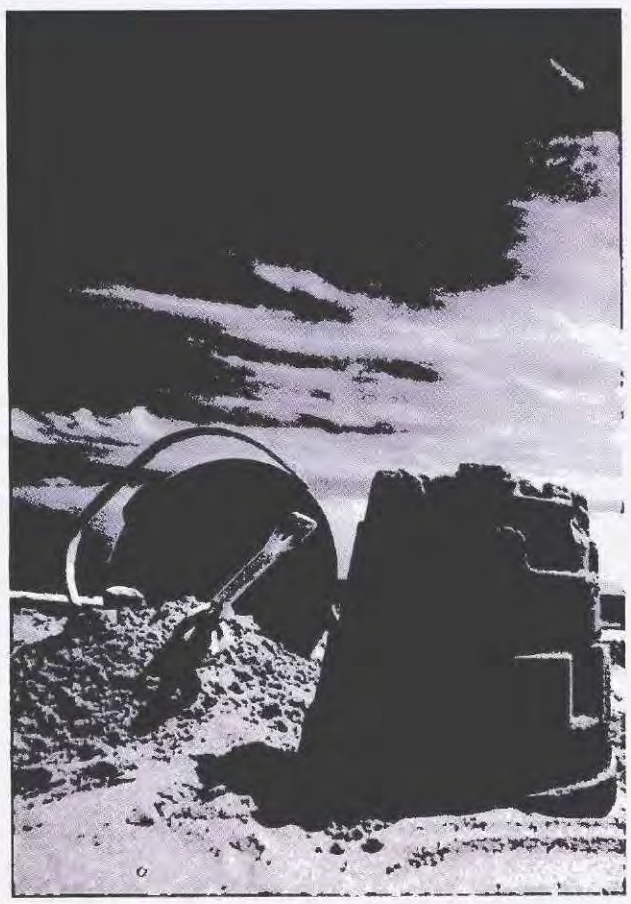

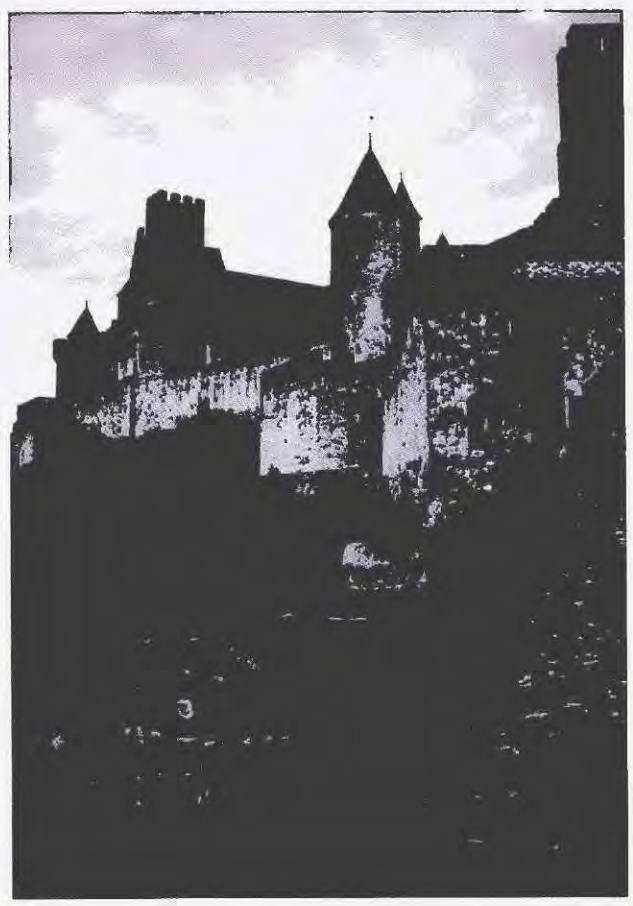

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Clark: Schools benefit as risk manager focuses on education resources

CONTINUED FROM PAGE 53

ing for a public entity.

Having a good relationship with the school board has helped alleviate some of the pressure of working for a public entity because the board has not felt the need to get too involved in the most difficult aspects of the job, including the property insurance program, Mr. Clark said. "They care, but I think there is a level of understanding and trust that it's well-managed," he said.

While the board members may not always agree with what Mr. Clark says, they know there is a good business reason for every risk management and benefits decision he makes, Ms. Erbs said. "People know that he always has the right reason for doing things," she said. "The level of respect he's garnered in this district is phenomenal."

The most successful public entity risk managers focus on making their best business recommendations and not taking it personally if the board decides it wants to go in another direction, Mr. Clark said.

Other challenges he has faced, challenges that are not uncommon among large employers, include managing the district's workers compensation program to reduce injuries and contain costs (see story, page 60).

His risk management initiatives, though, are always innovative, even for typical problems, Ms. Erbs said. "He comes up with solutions that have never entered my mind," she said.

Operating in a tight property and an even tighter catastrophe property market is another common issue for risk managers both public and private, but Mr. Clark faces a tremendous challenge as the risk manager for one of the largest property owners in Florida (see story, page 57). Placing the district's property insurance program has been a challenge ever since the district sustained a $96 million loss due to Hurricane Andrew in 1992.

Despite its challenges, the property program is often secondary to the district's benefits program, which includes negotiating with six unions during the collective bargaining process, he said. "The benefits piece, because it does affect each and every employee, becomes a very personal issue," he said.

After salaries, the benefits program is the school district's largest expenditure, with a cost of about $300 million a year for the district's roughly 50,000 full- and part-time employees. Mr. Clark has had tremendous success in managing his benefits program as well, recently negotiating and implementing a health insurance contract that will save the district about $15 million in premiums over a 20-month period. The savings are funding benefit enhancements, including lower dependent premiums so more district employees can purchase health coverage for their spouses and children.

Despite all of his accomplishments, Mr. Clark is extremely humble, Mr. Marcus said. "He's not going to brag about what he does in his job," he said.

Indeed, Mr. Clark gives much of the credit for the successes of the district's risk management and benefits programs to his 45 staffers. "I've been very lucky as a manager to find really dynamic people in the industry to come work for the school district," he said.

Mr. Clark inspires loyalty among his staff, several of whom, like Ms. Erbs, are former directors of risk management for other organizations.

"He has a good staff," Mr. Marcus said. "They're very loyal to him because he's very loyal to them. He allows them to do their jobs. I think there's a great deal of respect both ways."

The reason for the loyalty, Ms. Erbs said, is that Mr. Clark's staff knows he cares about their well-being and personal growth.

"He's probably one of the most sincere, caring people that you would ever meet," she said. "He truly cares about his people."

MICHAEL MARCOTTE

Scott B. Clark (left), risk and benefits officer for Miami-Dade County Public Schools, with Rudolph F. Crew, superintendent of schools.

Family insurance legacy provides solid foundation for career

Experience in the field helps risk manager understand key issues

By GLORIA GONZALEZ

Unlike many counterparts, Scott B. Clark was born into the insurance business.

In 1917, his great-grandfather founded Merchants Property Insurance Co. of Indiana, a small Indianapolis-based property insurance company that still is family-owned. "I kind of grew up in the business," said Mr. Clark, risk and benefits officer for Miami-Dade County Public Schools.

Given his family ties, Mr. Clark never considered working in another field. "It just seemed very natural," he said. "I never thought I would end up as the risk manager for a public entity, but everything happens for a reason."

Aside from the family business, Mr. Clark sold accident and health insurance for Combined Insurance Co. of America while attending the University of Illinois and graduating in 1980 with a bachelor's in business administration.

After graduation, he joined Crum & Forster Insurance Cos. and participated in a yearlong program that exposed him to all aspects of the insurance business, including underwriting, claims, loss prevention, accounting and actuarial analysis. He chose the claims arena and became a multiline field claims adjuster in Freeport, Ill.

His first opportunity in risk management arrived in 1981, when he became a claims manager with Alexsis Risk Management Services Inc. in Chicago, which was a subsidiary of the brokerage known at the time as Alexander & Alexander Services Inc. There he directed administration of self-insured claims for workers compensation and general liability for major clients, conducted risk analyses for existing and prospective clients, and sold services to help them organize or manage their claims departments. "It was a neat opportunity," Mr. Clark said.

Mr. Clark credits his early experiences in working for various segments of the insurance industry as a key part of his success as a risk manager, success that has earned membership on the *Business Insurance* 2007 Risk Management Honor Roll. For example, when the school district faced significant losses due to Hurricane Andrew in 1992, Mr. Clark drew on his adjusting experiences to ensure that the district's loss was appropriately compensated by insurers.

"When I became a risk manager, it really provided me with an opportunity to draw upon all those individual backgrounds, which I think has served me well because I didn't have to do it and learn at the same time," Mr. Clark said.

That early experience has helped him in some of the most basic elements of his current job, such as reading and understanding contracts. That skill is particularly important because, in more than 30 years in the business, Mr. Clark has never seen a 100% accurate contract in its first draft.

"Part of my success, if there's been success in this career, has been that I learned the basics early on," Mr. Clark said. "I've been able to draw upon those and grow from that."

Growing up in the insurance business has been tremendously helpful to Mr. Clark as a risk manager, said David Marcus, vp, southeast regional manager at Arthur J. Gallagher & Co. (Florida) and a managing director of Gallagher Public Entity and Scholastic Division, based in Boca Raton.

"He's been in every nook and cranny of the business and because of that he understands every aspect of the business," said Mr. Marcus, who has worked with Mr. Clark more than 20 years as the district's broker.

"He takes a very big-picture view of risk management and understands how it fits within the organization."

His background in the insurance industry also gave him a good perspective on what insurance is actually designed for—to place the policyholder in the position they would have been in had a loss not occurred, he said.

"I think a lot of people have expectations and give their employers false expectations of what insurance is supposed to do and what the return on that investment will be," Mr. Clark said.

In addition to being the risk and benefits officer of the fourth-largest school district in the country, Mr. Clark has been an active member of the New York-based Risk & Insurance Management Society Inc. for more than 20 years. He helped found the Greater Miami chapter of RIMS and sits on the organization's board of directors, working with the Conference Programming Committee.

RIMS participation has had many benefits, Mr. Clark said. Key staffers, such as Assistant Risk and Benefits Officer Carol Erbs and Workers Compensation Supervisor Rosa Royo, were risk managers for other organizations whom he met through RIMS and recruited to work for the school district.

In addition, professional relationships developed through RIMS have helped Mr. Clark resolve major risk management problems. For example, when Miami hosted the Super Bowl in 1995, dozens of Miami-Dade County students were scheduled to participate in a Walt Disney Co.-sponsored halftime show involving a pyrotechnics display. About a week before the game, Mr. Clark got a call that stadium managers wanted proof of insurance due to the children's participation.

Securing the insurance in that time frame was practically impossible and Mr. Clark wanted the students to participate. So he called Steve Wilder, vp-risk management at Disney in Burbank, Calif., who he met through RIMS. Within 30 minutes, Mr. Clark had a certificate of insurance naming the school district as an additional insured, which he sent to stadium managers and allowed the students to participate.

"That would never have happened if I didn't have that relationship," Mr. Clark said.

MICHAEL MARCOTTE

Mr. Clark with Ofelia San Pedro, deputy superintendent business operations for the Miami-Dade County Public Schools.

School district grapples with its property program renewals

Tight property market required overhaul of renewal strategy

By GLORIA GONZALEZ

Dealing with a tight property market is difficult, but being the risk manager of one of the largest property owners in Florida after years of major windstorms is especially challenging.

Although Miami-Dade County Public Schools sustained relatively small losses during the 2004-05 hurricane seasons, last year's renewal of the district's property program was even more difficult than expected as property insurers retreated from Florida, said Scott B. Clark, the district's risk and benefits officer.

The school district's property is valued at about $7.5 billion, but the most windstorm coverage Mr. Clark could secure last year was $200 million vs. $700 million in 2005.

Before last year's renewal, Mr. Clark and his brokers at Arthur J. Gallagher & Co. met with the school board to lay out their property program renewal strategy, what limits they thought they could obtain and the projected cost. The plan was to purchase $500 million in coverage for a premium not to exceed $30 million, but the property insurance market had tightened and it was a struggle to get to $200 million, he said.

To even get that $200 million in coverage, the district took a prorata-based coinsurance arrangement for the program's first two $50 million layers and boosted its deductible from $1 million to $25 million. That means the district is self-insuring a Category 1, 2 and possibly most of a Category 3 hurricane, Mr. Clark said. "I'm really buying excess coverage for a really bad storm, a Category 4 or 5."

A few markets are willing to make significant capacity available, but it is unaffordable, Mr. Clark said. "You have the Berkshire Hathaways that have plenty of capacity, but it goes for top dollar and I'm already spending $30 million on premiums for my property insurance program."

Balancing affordable capacity with the district's contractual responsibilities to banks that lend money for school construction and federal requirements of disaster relief grants is a key consideration. "It's a balancing act to bind the coverage you think you can buy, but not overpay for it," Mr. Clark said.

David Marcus, vp, southeast regional manager at Gallagher and a managing director of Gallagher Public Entity and Scholastic Division, based in Boca Raton, gives Mr. Clark enormous credit for securing coverage in one of the most difficult insurance markets he has ever seen.

Mr. Marcus, who has worked more than 20 years with Mr. Clark as the district's broker, credits Mr. Clark's reputation as a strategic thinker who places tremendous value in long-term relationships with insurers for his ability to maintain a strong, consistent property program.

When the district experienced its one significant windstorm loss during Mr. Clark's tenure, from Hurricane Andrew in 1992, the district's two insurers—Appalachian Insurance Co. and Hartford Insurance Co.—provided essentially first-dollar coverage. Both canceled the district's coverage after paying a $96 million loss caused by Hurricane Andrew.

Mr. Clark seized the opportunity to create a multitier pro-rata-sharing property program to minimize dis-

Continued on next page

Preparing for the big one

Scott B. Clark, risk and benefits officer for the Miami-Dade County Public Schools, plans well ahead given that models have shown a Category 5 hurricane could leave the district with as much as $1 billion in damage.

In time for the upcoming storm season, Miami-Dade schools will activate a system that will enable district personnel to do online damage assessments. The system will allow staff at each school to quickly assess damage, with the guidance of a checklist, and send that information to the district's command center via their electronic communications devices.

This will enable officials to determine which facilities can reopen after a storm, he said.

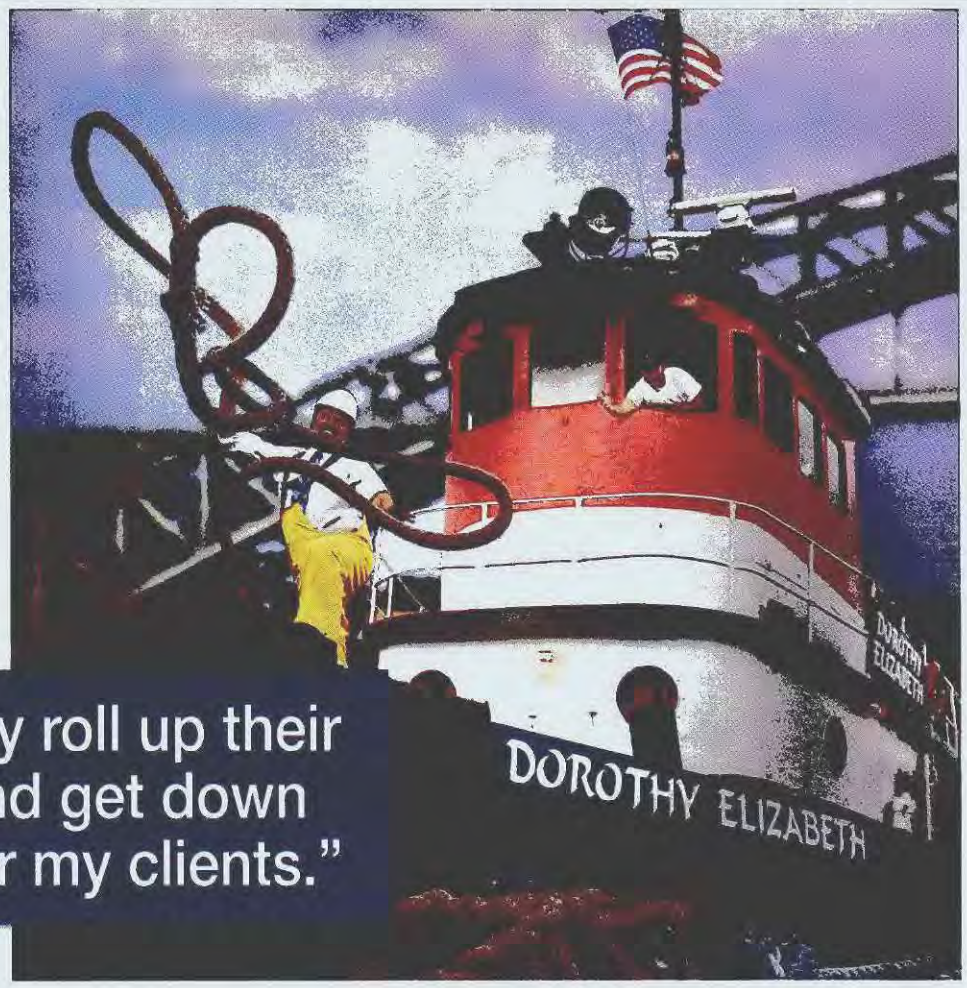
The next planning step is determining how to quickly repair damage and pay for it. While the public school system is eligible for Federal Emergency Management Agency grants to reimburse overtime expenses, debris removal and damage caused by hurricanes, the funds often take time to materialize.

Since the school district is self-insuring $25 million in windstorm risk before insurance comes into play, Mr. Clark and his staff are working on identifying funding mechanisms such as short-term loans or catastrophe bonds so that the district can begin repairs immediately after a storm.

—By Gloria Gonzalez

From left:
John Toscani
Vice President,
Frenkel & Co., Inc.
Jersey City, N.J.

Capt. Mike Vinik
President,
Vinik Marine, Inc.
Keyport, N.J.



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ruption should an insurer leave the program. Today, the district works with about 25 insurers and most have been on the program since it was restructured, with Lexington Insurance Co. as the largest participant.

During renewals, Mr. Clark reminds underwriters of the rules and responsibilities of the client-insurer relationship: that the school district has steadfastly purchased coverage from insurers and should be the first risk they consider if they write windstorm coverage in Florida.

While Mr. Clark understands that the hurricanes in 2004 and 2005 undercut the insurer profits, he emphasizes that the district has paid substantial premiums in 15 years without a major insurance loss. "I need them to give something back and that has to be in the form of capacity," he said.

After 2004 and 2005, some insurers curtailed their participation or quit the program because they could not get proper reinsurance. Others decided they did not want to write this class of risk. "When things like that happen, I understand it, but there has to be an exit strategy," Mr. Clark said. "They can't just walk away. It's absolutely inappropriate."

The Miami-Dade district is the best risk in South Florida because it has invested significant dollars in its infrastructure and schools are built to exceed building codes, Messrs. Clark and Marcus said. Under Mr. Clark's leadership, the school district has received about $6 million in loss mitigation grants from the Federal Emergency Management Agency to buy hurricane-resistant screens for windows and securing equipment on rooftops to keep it from blowing off during a storm.

MICHAEL MARCOTTE

Benefits staff top row (left to right): Brenita Thervil, UnitedHealth Care onsite representative; Cinthia Pantaleón, leave billing specialist; Yvette Davila, MetLife/Dental onsite representative; Cassandra Lavin, FBMC team leader; Leo Segura, senior risk and benefits specialist; Donna Walker, FBMC team leader; Cookie Garcia, UnitedHealth Care senior onsite representative; Yesenia Labrada, UnitedHealth Care onsite representative. Bottom row (left to right): Marta Miranda, coverage continuation benefits specialist; Yohelmys Martinez, Unum Group onsite representative; Natasha Walker, UnitedHealth Care onsite representative; Rosie Molina, fringe benefits supervisor; Scott B. Clark, risk and benefits officer; Rosa Novo, manager II retiree benefits; Dine Mondelus, risk and benefits specialist II; Sabrina Irvin, risk and benefits specialist II; Patricia Iturria, staff assistant.

Building new facilities has been complicated by the hard property market. Previously, the district required builders to purchase insurance themselves, but builders were forced to pay high rates for coverage and passed the costs on to the district. In response, Mr. Clark created a district-provided builder's risk property insurance program, leveraging the district's size and long-term relationship with Lexington to negotiate a program with reasonable coverage at an affordable price. As a result, he secured $50 million in limits to cover new facility construction exposures. The program is expected to save the district about $85 million over the next three years.

One positive result of property insurance market difficulties was that Mr. Clark engaged board members in a discussion of adding depth to the district's disaster recovery and emergency management programs.

"It's a matter of fact that we now have a $25 million deductible," he said. "We can do nothing about that, but we can start to reinvest internally to make sure that the next time the wind blows that we have a much more efficient and strategic operation so that we can more effectively get the dollars that we're going to need to put our schools back together."

Ensuring that the district is ready for the next big storm (see story, page 57) is critical because modeling shows its probable maximum loss from a Category 5 storm striking downtown Miami would be $800 million to $1 billion, he said.

Mr. Clark had three key goals when he met recently with domestic and foreign underwriters to discuss his May 1 renewal: filling layers of the existing $200 million in coverage so the board is not a coinsurer, securing an additional $50 million in coverage and not paying more than $30 million in premiums.

"Last year's renewal really took the wind out of the program, so we're hopefully going to continue... rebuilding it again," Mr. Clark said. "But it's going to be a little different now. I'm not going to go back off that $25 million deductible. I would much rather, moving forward, try to build larger limits on top of that as opposed to going back to a more first-dollar approach."

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Planned comp overhaul expected to save district millions

Doctors would gain more control over patient treatment

By GLORIA GONZALEZ

Re-empowering physicians to take control of the treatment of injured workers is the critical component of a planned overhaul of the Miami-Dade County Public Schools' workers compensation program.

Although programs overseen by Risk and Benefits Officer Scott B. Clark have reduced the number of workplace injuries and related costs, his latest plan is to move the workers comp program away from the managed care format and place responsibility for treating injured employees with their doctors.

The school district has self-insured its workers comp exposures since 1974, with claim expenditures averaging about $30 million a year during the past three years.

Mr. Clark and his team have launched initiatives to manage workplace safety, including informing supervisors about the number of injuries occurring at their locations and helping them implement site-specific loss prevention strategies. Return-to-work initiatives—such as encouraging rehiring of previously injured employees to new positions they are capable of filling—also have been implemented.

The efforts have helped the district reduce its injury numbers by 10%, existing claims spending by 15% and lost-time days by 33% in 2006 compared with 2005. "The trend is going in the right direction, even though our employee base continues to increase," Mr. Clark said.

A key part of his strategy was to create a loss prevention department within the risk management department, rather than the previous practice of contracting loss prevention to an outside vendor. Mr. Clark felt that setting up an in-house department responsible for the school district's loss prevention efforts would best serve the organization.

The loss prevention group works closely with various segments of the risk management department, particularly the workers comp group, so that when an injury occurs, the group can immediately analyze what happened and decide how to prevent further incidents, he said.

Mr. Clark, though, has even greater aspirations for the district's workers comp program.

'If we can cut by 10% the amount of dollars we spend on workers compensation, right there is $3 million. That's found money' that could be put toward direct education of students.

Scott B. Clark
Miami-Dade County Public Schools

He wants physicians to control the treatment of injured workers, rather than a nurse case manager directing the care and telling doctors what to do.

Under Mr. Clark's plan, one that has the backing of the school board, the physicians would be accountable for the quality of care they provide and be rewarded based on outcomes. The reward would come in the form of more autonomy and higher reimbursements for physicians recognized as facilitating favorable treatment outcomes. "If they're practicing efficient and quality medicine, than there should be no reason why you should micromanage that care," he said.

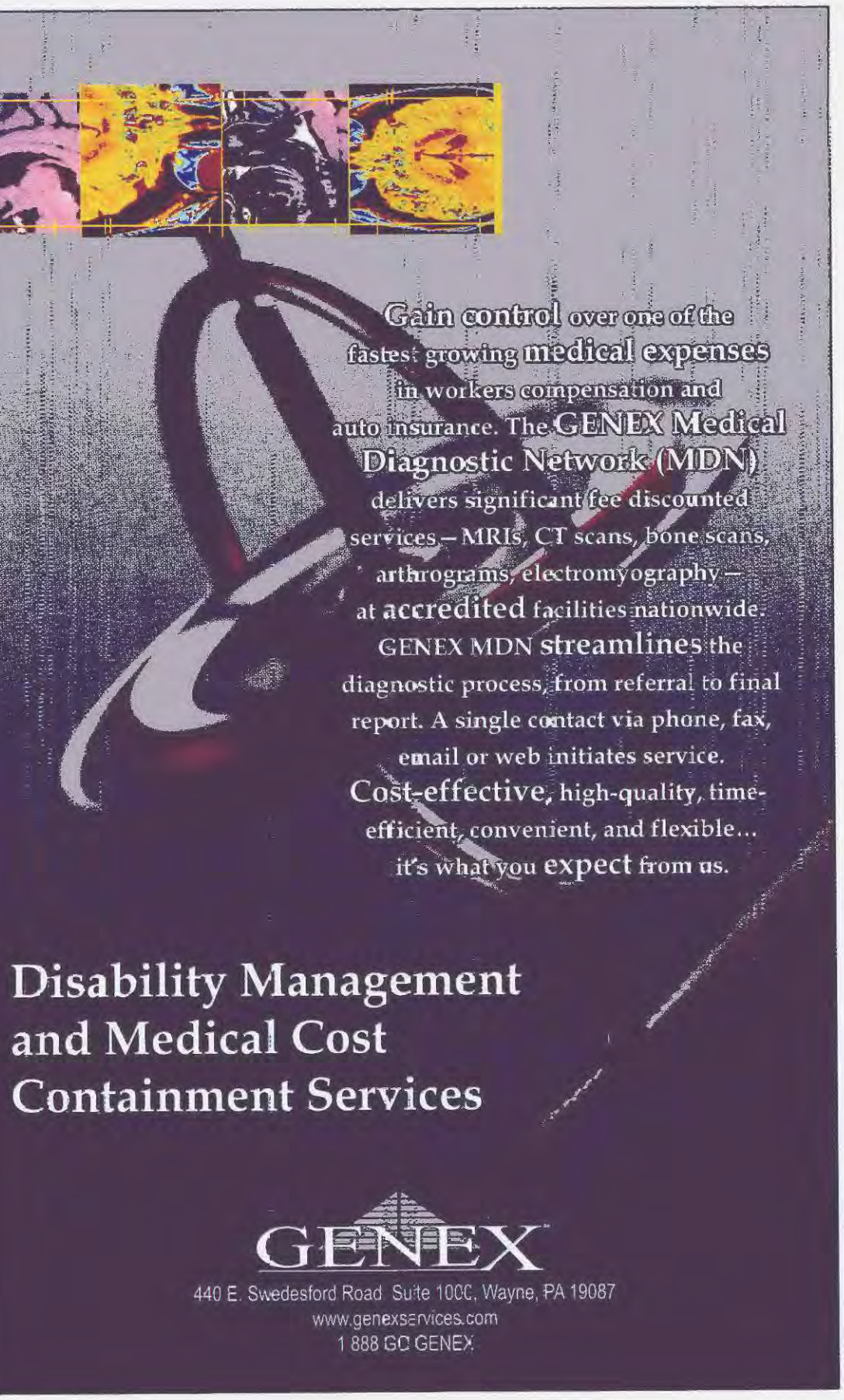
The planned reorganization calls for annual evaluations of doctors, placing them in three categories—silver, gold and platinum—based on outcomes. As they go through each level, doctors are rewarded with higher reimbursements and less oversight of their care.

In addition, the claims adjuster would be responsible for all aspects of an injured worker's file, rather than the adjuster handling indemnity while a nurse handles the medical portion of the file. As a former claims adjuster, Mr. Clark said that model is flawed because injured employees have to deal with different people without having a strategic, integrated care system. "I've always said it doesn't make sense making the claimant deal with multiple factions," he said.

Even if the district increases physician compensation to get the best doctors into its workers comp provider group, Mr. Clark said he believes the district will ultimately see significant savings. "If we can cut by 10% the amount of dollars we spend on workers compensation, right there is $3 million," he said. "That's found money" that could be put toward direct education of students.

A few years ago, Mr. Clark spoke to his staff about reconfiguring the workers comp system. He said it was better to allow injured workers to get necessary nonemergency services from a doctor immediately rather than forcing doctors to get authorization before providing medical services, which could result in months of delays, said Carol Erbs, assistant risk and benefits officer for the school district. Mr. Clark felt that the system unnecessarily prevented injured employees from quickly returning to work, she said. "There are a lot of reasons for get-

See COMP page 62



MICHAEL MARCOTTE

The workers compensation team of Miami-Dade County Public Schools, from left: Monique Somers, risk and benefits specialist II; Cashawnda Martin, risk and benefits specialist II; Scott B. Clark, risk and benefits officer; Rosa Royo, workers compensation supervisor; Nancy Tipton, risk and benefits specialist II; and Ron Andrews, CorVel Corp. onsite representative.

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Comp: Overhaul expected to save millions

CONTINUED FROM PAGE 60

ting people back to work," Ms. Erbs said, "and this platform should help us do that."

Mr. Clark also expressed distaste for a system where doctors had to justify the care they were providing to a nurse case manager, she said. Doctors "just want to practice medicine," Ms. Erbs said. "We want to let them practice medicine and get rid of all the red tape...."

His planned overhaul of the workers comp system speaks to Mr. Clark's status as a visionary in the industry, observers say.

"It makes sense, but it truly is an innovative way of looking at workers comp," Ms. Erbs said.

The workers comp revamp is "way beyond what most people are able to do," said David Marcus, vp, southeast regional manager at Arthur J. Gallagher & Co. (Florida) and a managing director of Gallagher Public Entity and Scholastic Division, based in Boca Raton. Mr. Marcus has been the district's broker for more than 20 years.

Being responsible for both risk management and benefits has been helpful in his workers comp endeavor, Mr. Clark said, because he can take an approach that's gained adoption in the benefits arena in the past 10 years and apply it to workers comp—even though it goes against everything that is typically done in the workers comp arena.

Despite the unusual approach, the board has embraced his plan and Mr. Clark is working with the district's third-party administrator, Gallagher Bassett Services Inc., to set up infrastructure for the revamped program, which goes into effect July 1.

"I'm lucky enough to have the latitude to envision something that I want to do, that I think will be meaningful, and figure out how to make it happen," Mr. Clark said.

Risk management plans focus on student safety

Working to keep Miami-Dade schools secure

By GLORIA GONZALEZ

Being responsible for the safety and well-being of more than 360,000 children is a serious responsibility that guides some of Scott B. Clark's risk management initiatives.

In 1989, for example, a high school student's football helmet broke when he got hit during a game, causing massive head trauma. The next day, Mr. Clark, risk and benefits officer for Miami-Dade County Public Schools, initiated a comprehensive review of how the district procures and handles its football helmets. His staff interviewed principals, coaches, athletic directors and other administrators—ultimately determining that changes needed to be made.

In response, Mr. Clark developed a program to ensure that helmets were repaired and maintained according to standards set by the National Operating Committee on Standards for Athletic Equipment.

When a student was injured in a football game after his helmet broke, Scott B. Clark initiated a program to ensure that sporting equipment was properly maintained.

He also launched a program to ensure that schools replace helmets five years after they are purchased, which is the length of the manufacturer's product liability coverage. Since the program began, there have been no injuries relating to helmet failure in the school district.

"I think we've done a pretty good job," Mr. Clark said of the district's risk management efforts. "Obviously, it's a big school district. You have to be responsible for (the children), and you have to make sure they're safe and they're not abused in any manner."

The district has put a primary focus on improving and maintaining the safety of its schools, officials said in a special report last October that outlined the district's strategic plan for the future.

Efforts under way before the report was issued, for example, reduced the school district's crime rate by 25% in 2005 vs. the prior year, to 13.3 incidents per 1,000 students.

Dealing with a student's death became a tragic and sad part of Mr. Clark's job when a middle school student was stabbed and killed by another student in 2004, and Mr. Clark wanted to minimize the impact on the victim's family and the district.

The school district entered into a settlement that utilized its limited sovereign immunity under state law, which caps the maximum damages against a public entity at $200,000 per incident unless a higher figure is approved by the state Legislature. The district, which self-insures most of its liability

See SAFETY page 64

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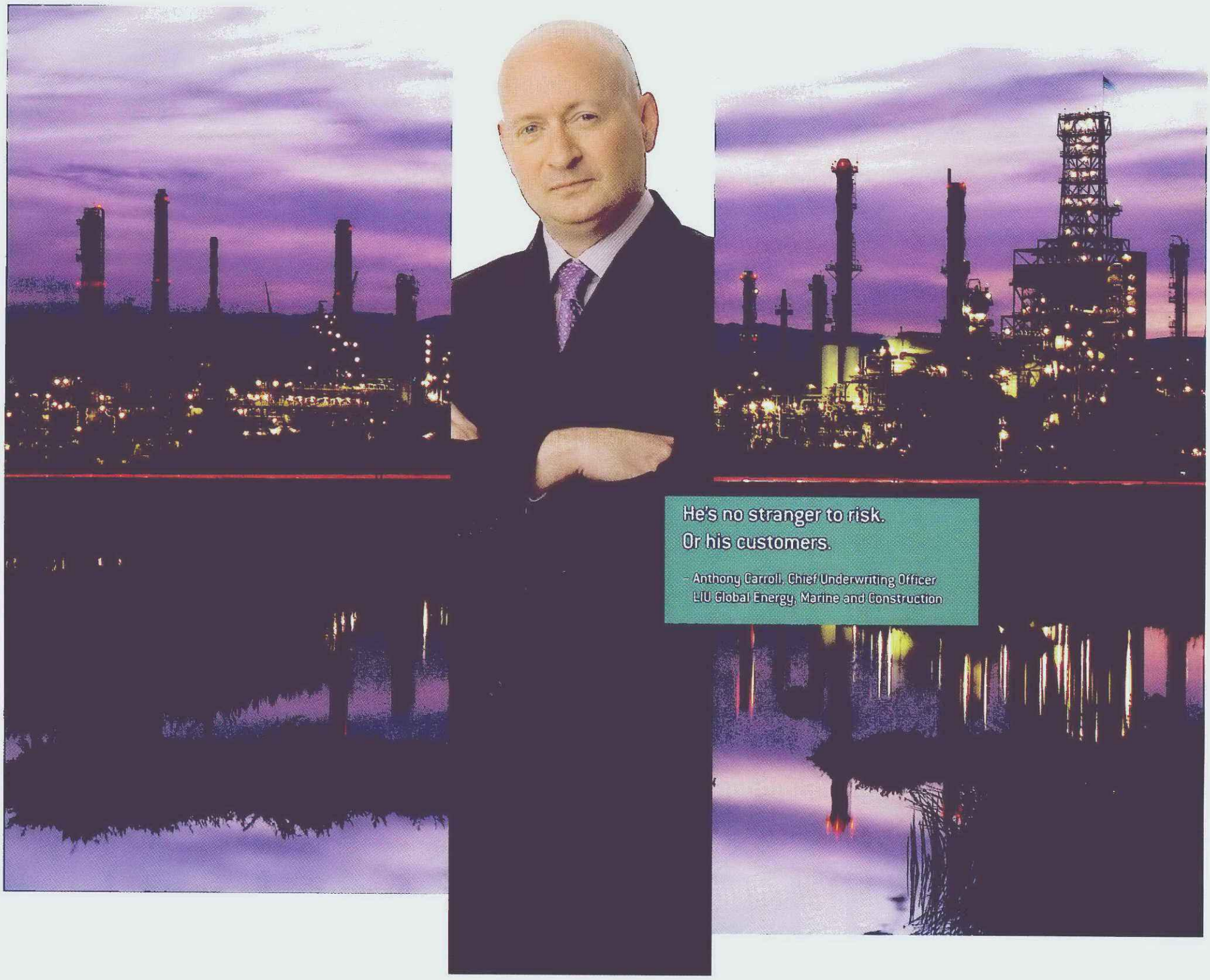

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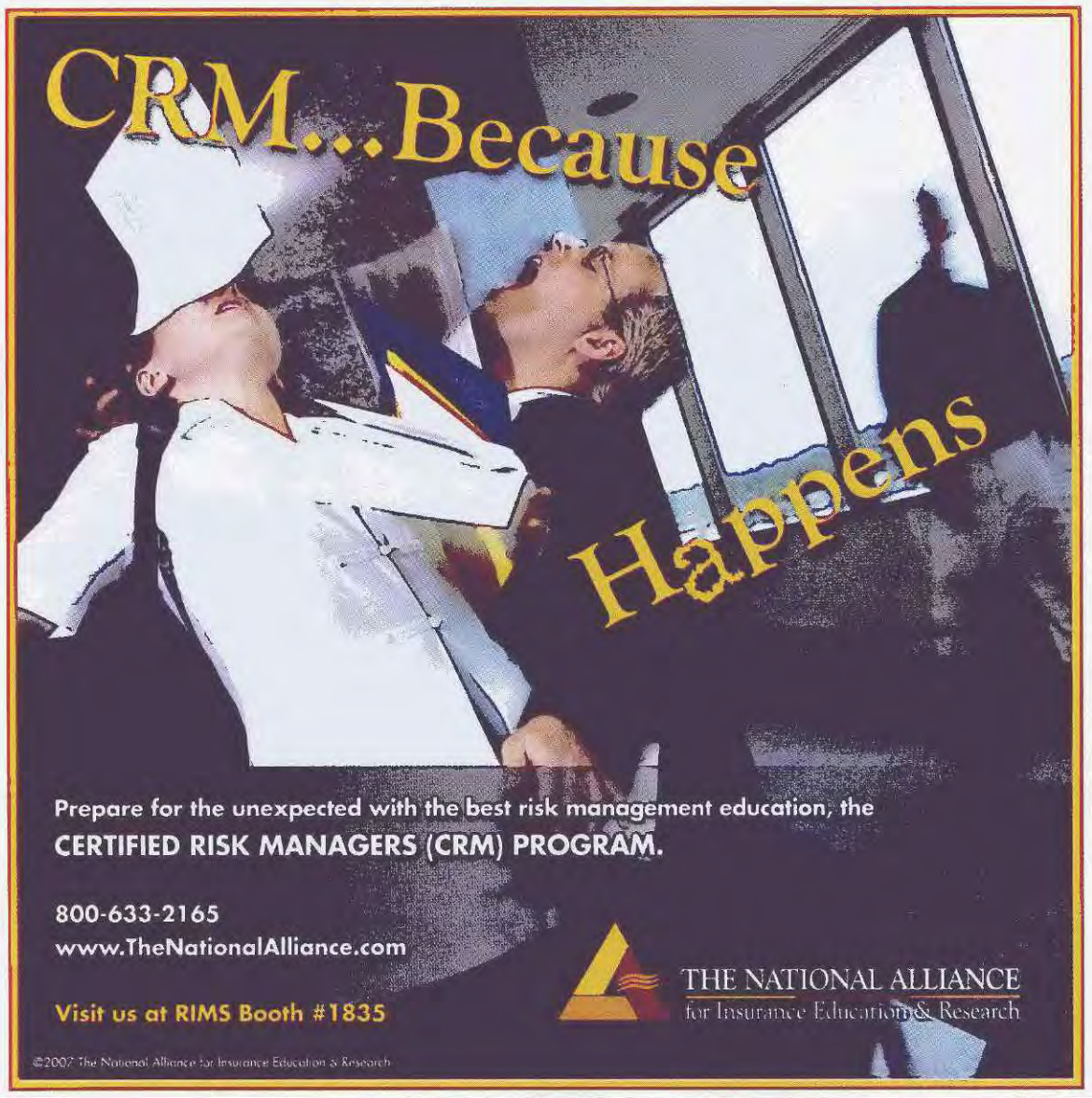

Safety: A primary goal

CONTINUED FROM PAGE 62

exposures, also put its excess liability insurance of up to $500,000 into play.

The board approved a $700,000 settlement to avoid subjecting the boy's family to a trial while also avoiding the possibility of an adverse jury verdict and unwanted media attention, he said.

Under the settlement, the family could be entitled to another $1 million from the district if the Florida Legislature approves the additional payment that the family is seeking.

"It was just a much more pragmatic risk management approach to handling something that was really a very, very sad case," Mr. Clark said.

MICHAEL MARCOTTE

Miami-Dade County School's finance, property loss control and risk analysis staffs, front row, from left: William Wever, administrator; Scott B. Clark, risk and benefits officer; Norry Lynch, property loss control director I; Michael G. Fox, risk analyst; Mercy Cortez, Arthur J. Gallagher onsite representative. Back row: Yolanda Nieves, executive assistant; Judith Robles, senior computer operator; Janice Smith, senior risk and benefits specialist II; Aurelia Moreno, risk and benefits specialist II; Joseph X. Flynn, finance director; Suzie Jimenez, risk and benefits specialist II.

Warren Perkins

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Despite tight finances, Miami-Dade wins education honor

By GLORIA GONZALEZ

The key task for Florida's Miami-Dade County Public Schools system these days is fulfilling its mission of providing the highest quality education to its students while operating on a tighter budget.

That's a mission that Scott B. Clark, risk and benefits officer of the school system and a member of the 2007 *Business Insurance* Risk Management Honor Roll, takes seriously.

The school district, which says it's the fourth-largest district in the United States, provided educational services to 361,550 children in the 2005-06 school year, down from 365,784 in 2004-05. The decrease in enrollment has reduced funding to Florida's largest school district from the state government, which contributed about $1.5 billion of the district's $5.7 billion in revenue during the 2005-06 school year.

In 2004, a modification to the public school funding formula made by the Florida Legislature resulted in a loss of millions of dollars to districts such as Miami-Dade County. The decreased funding has made it difficult for the district to adequately pay for health care services and educational programs while expenses such as transportation and fuel costs have skyrocketed.

The district employs almost 50,000 full-time and part-time employees, providing benefits at a cost of about $300 million per year. In addition, a need for more teachers and schools is being driven by a government mandate regarding maximum class sizes that requires the district to reduce the average number of students in each classroom by at least two students a year until certain targets are reached in 2010.

"These budgetary demands and constraints, coupled with the substantial changes that must occur to raise student achievement, create the need for additional focus on diversifying revenue sources and increasing the inflow of funds," the district said in report outlining the organization's strategic plan for the future of the school system.

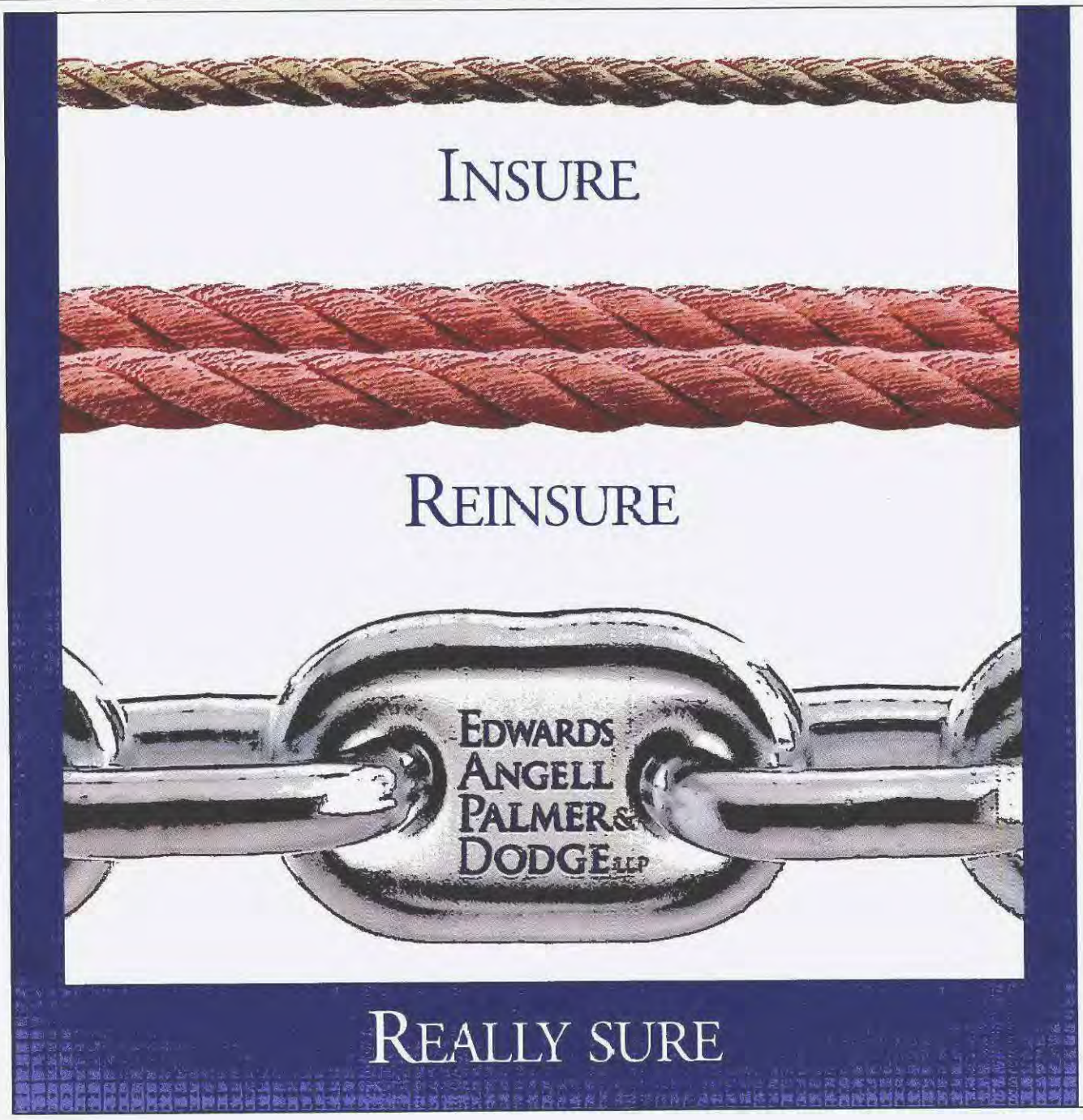
Urban education prize

The school district was recently named one of five finalists for the $1 million annual Broad Prize for Urban Education, which recognizes urban school districts that demonstrate the highest comprehensive performance and student achievement improvement, in addition to reducing the achievement gap among ethnic groups and high- and low-income children.

In 2006, 73% of Miami-Dade schools earned an A or B accountability grade, which measures a school's success or failure in meeting state educational requirements. Students in nearly every grade achieved significant academic gains in the Florida Comprehensive Assessment Test of reading and math. The test is part of Florida's plan to increase student achievement by implementing higher standards for teaching and learning.

MICHAEL MARCOTTE

Miami-Dade County Public Schools' risk management staff (top row, left to right) : Patricia Iturria, staff assistant; Rosa Novo, manager II retiree benefits; Rosie Molina, fringe benefits supervisor; William Wever, administrator; Jorge L. Davila, staff assistant; Norry Lynch, director I property loss control; Joseph X. Flynn, finance director. (Bottom row, left to right): Calvin Slawson, loss prevention manager; Michael G. Fox, risk analyst; Javier A. Valderrama, executive assistant II; Carol A. Erbs, assistant risk and benefits officer; Scott B. Clark, risk and benefits officer; Michelle G. Rogers, administrative assistant II; Rosa Royo, workers compensation supervisor; Roshell Demps, risk and benefits specialist.



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AND OTHER LOCATIONS IN THE UNITED STATES

Dividing coverage allows Harrah's to get capacity

Unusual step allays excess comp insurers' concentration concerns

By ROBERTO CENICEROS

When Harrah's Entertainment Inc. had trouble getting sufficient excess workers compensation capacity, the company took an unusual step—it divided its coverage purchase among two insurers to allay their risk concentration concerns.

The manuscript policy arrangements also helped the gaming and entertainment company win favorable pricing and obtain an unusual per-occurrence deductible for communicable disease, said Bradley Darr, senior client executive for Beecher Carlson in Brentwood, Tenn.

Since the Sept. 11, 2001, terrorist attacks, insurers have ceased to provide unlimited, statutory workers compensation coverage limits for certain employers with large concentrations of employees in locations that underwriters consider particularly risky, Mr. Darr said.

More recently, potentially large losses from communicable disease, such as avian flu, have also concerned insurers. "Two or three years ago, underwriters didn't think about pandemic flu or influenza, but that has been a big issue," said Mr. Darr, who places casualty coverages for Harrah's.

Of the company's more than 80,000 employees worldwide, it has more than 30,000 employees in Las Vegas and another 15,500 in Atlantic City, N.J., with many of them concentrated in casinos.

Simultaneous losses in Las Vegas and Atlantic City from a pandemic outbreak or terrorism could exceed available capacity from a single insurer, said Lance J. Ewing, vp-risk management for Harrah's. An exposure aggregation model for Harrah's showed such an event could produce a loss exceeding $1 billion.

Some large employers facing difficulty obtaining statutory workers comp limits for concentrations of workers turned to layering coverage, with a different insurer providing each layer, Mr. Darr said.

But Harrah's arrangement is unusual because most policyholders of similar size do not divide their purchases among workers comp insurers in the fashion that Harrah's did, Mr. Darr said.

Harrah's maintains a large retention that it self-insures through a Bermuda-based captive, Aster Insurance Ltd.

To obtain the capacity Harrah's needed, Mr. Ewing hatched the idea to divide its excess workers comp insurance placement, depending upon Harrah's locations, between two underwriters, Mr. Darr said.

Mr. Ewing then worked his relationships with insurers that sell Harrah's an array of other insurance products.

Beginning with the employer's Dec. 1, 2005, renewal, ACE Ltd. agreed to provide excess coverage for Harrah's Nevada workers comp risks. Meanwhile, Zurich Financial Services Group did the same for Harrah's Atlantic City exposures.

To help the two insurers further spread their risk, each provides coverage for a share of Harrah's operations in states other than Nevada and New Jersey, Mr. Darr said.

While helping Harrah's address its own risk concentration, the arrangement also eased the insurers' concerns about their risk concentration, Mr. Ewing said. The underwriters also insure several competing casinos operating along Las Vegas' famous strip, he said.

"We used two carriers to get the best coverage and price, while still being sensitive to the markets as it related to capacity," Mr. Ewing said. "It was a give-and-take to assure the carriers that we wanted a partnership that would not put them in jeopardy, but would give our employees the best coverage and at the best rates."

Mr. Ewing also obtained the unusual per-occurrence deductible for communicable disease.

Insurers typically provide communicable disease coverage with a per-employee deductible while other workers comp coverage, such as that for terrorism risks, is often sold with a per-event deductible, Mr. Darr said.

Under a standard policy arrangement, therefore, Harrah's would be responsible for many deductibles, with the number depending on how many employees became ill because of a communicable disease. But under its manuscript form, Harrah's would only face one deductible, Mr. Darr said.

In addition to obtaining the unusual occurrence deductible, Harrah's paid a lower rate for the coverage than it did the prior year, Mr. Darr said. The employer was helped by softening market conditions.

But Mr. Ewing said the favorable rates also stemmed from convincing the underwriters that Harrah's maintains a safe work environment.

For all types of injuries, Harrah's has the lowest employee incident rate of any company in the hospitality industry, Mr. Ewing said. He based that assertion on Bureau of Labor Statistics and Occupational Safety and Health Administration data.

While risk managers must consider the potential of terrorism attacks and pandemic outbreaks, Harrah's employees typically produce workers comp claims familiar to most employers, such as slip-and-fall accidents and back injuries, he said.

NEWSCOM

BACK-SAVING SLOTS

Switching to slot machines that pay off with paper receipts detailing a gambler's winnings, rather than paying off in coins, has helped Harrah's Entertainment Inc. reduce its workers compensation losses from back injuries, said Lance J. Ewing, vp-risk management. Since the machines were installed, Harrah's employees don't have to handle heavy loads of coins as often as in the past.

Jockeys benefit from improved health cover

When the horse racing industry came under fire in 2005 over concerns about the adequacy of insurance coverage for jockeys, Harrah's Entertainment Inc. decided to improve the insurance it provides for jockeys at one of the company's facilities.

The issue arose when a jockey paralyzed in a 2004 accident in West Virginia testified before a U.S. House of Representatives subcommittee about how a guild insurance program failed to pay all his medical bills. The racing industry weathered the storm, but it faced media scrutiny for not providing adequate care for its jockeys, who are private contractors.

To head off any problems for Harrah's Louisiana Downs Casino & Racetrack, Harrah's increased its limits from $100,000 to $1 million per incident under an accidental death and dismemberment policy it buys for jockeys racing at the Bossier City, La., facility, said Marc Kamler, manager of insurance and risk services for Harrah's.

The coverage provides first-dollar medical and indemnity coverage for the jockeys, Mr. Kamler said.

Because the jockeys are private contractors, Harrah's cannot purchase workers compensation insurance for them, but the AD&D policy takes the place of workers comp, Mr. Kamler said.

Government pressure led racetracks across the United States to increase the AD&D coverage limits purchased for jockeys, sources said.

Purchasing the additional coverage costs a little more, but providing the coverage fits with Harrah's policy to "do the right thing," said Lance J. Ewing, Harrah's vp of risk management.

"Harrah's is a company where doing the right thing is our chief executive officer's mantra for both our guests and contractors," Mr. Ewing said. "No one said, 'Thou shall do this"; we just felt that was a good comfort level and it was doing the right thing."

—By Roberto Ceniceros

Found: Surprising discoveries made during update of property schedule

CONTINUED FROM PAGE 18

be notified of, Mr. Ewing said.

Or, local business unit managers notify the risk management department about their acquisitions or expansions, but they might do so after launching into the project, which could leave them wondering if insurance coverage is available.

The short notice can be frustrating, Mr. Ewing admitted. But quickly arranging insurance, implementing risk control measures or fitting their projects into an enterprise risk management strategy is also exhilarating, he added.

"Those are the steroids that keep us juiced up," Mr. Ewing said of performing under deadlines. "Those are the kinds of things that get the blood rushing."

The requests also provide his risk management department an opportunity to show the business units how they can help them under challenging conditions.

"You don't need a great captain and crew when the sea is calm," Mr. Ewing said.

Keeping property schedules current also brings forth similar opportunities for the risk management department, Mr. Ewing said. The insurance services managers are responsible for updating the property schedule and to do so, they must tour Harrah's properties to see the company's casinos first hand.

Should they need to address a future loss, knowing the locations will help them visualize the damage and understand how it would impact Harrah's employees. After all, Harrah's casino in Reno, Nev., is very different from its casino in St. Louis, Mr. Ewing said.

"It's very difficult to provide risk management from behind a desk in an office," Mr. Ewing said. "My approach to risk management has always been you have to go out and see, touch, feel, and live and breathe what (they) are going through."

Additionally, Marc Kamler, manager, insurance and risk services for Harrah's, noted that after the 2005 hurricane season, insurers are more likely to decline coverage for values not included on a property schedule.

With that in mind, and after the merger of Harrah's and Caesars Entertainment Inc. properties in June 2005, Mr. Kamler and Ms. Miller set out to update Harrah's property schedule.

At Harrah's Louisiana Downs Casino & Racetrack in Bossier City, La., they found a small church used by race jockeys, which wasn't listed in Harrah's statement of values.

"That was a little bit of a surprise," Mr. Kamler said.

Because the church's limited size, Mr. Kamler assigned a value to it and added it as a "miscellaneous location" on Harrah's property schedule.

Another surprise came when Mr. Kamler stood on a raised hotel patio deck in Council Bluffs, Iowa. That's when he discovered the nine-hole golf course.

The surprises encountered while protecting Harrah's casinos from potential losses don't end with discoveries during searches for property that hasn't yet made it onto an insurance statement of values.

Fielding telephone inquiries regarding coverage for potential casino risks also adds interest to her work day, Ms. Miller said. One recent caller asked whether Harrah's had coverage for a $1 million, diamond-studded microphone that singer Toni Braxton planned to perform with and then display at the casino in Las Vegas.

Ms. Braxton's own insurance should respond to a loss, Ms. Miller said, but as a risk manager she also wanted to know about security precautions for the microphone.

A telephone call from an employee moving the John Lee Hooker guitar from a casino to a warehouse tipped her off to the guitar's existence, Mr. Miller says.

A security director showed her the Elvis jumpsuit and boots during a visit to Caesars Palace in Las Vegas, Ms. Miller said. It was stored in a locked closet behind a casino security office. Ms. Miller said she was skeptical of their authenticity, but an appraiser accompanying her on the property tour confirmed they belonged to The King.

"We had the boots, we had the jumpsuit, and we didn't know we had it," Ms. Miller said. "Elvis' jumpsuit, that was pretty interesting."

A walk through a warehouse with the appraiser also revealed boxes of memorabilia, including the Joe Louis and Muhammad Ali boxing equipment. There were also the John McEnroe tennis rackets.

"We need to know about that stuff because we have to make sure the contents of that warehouse are valued appropriately" for insurance purchasing purposes, Ms. Miller said. "It's not just slot machines, that Harrah's owns. We have some really high-value memorabilia."

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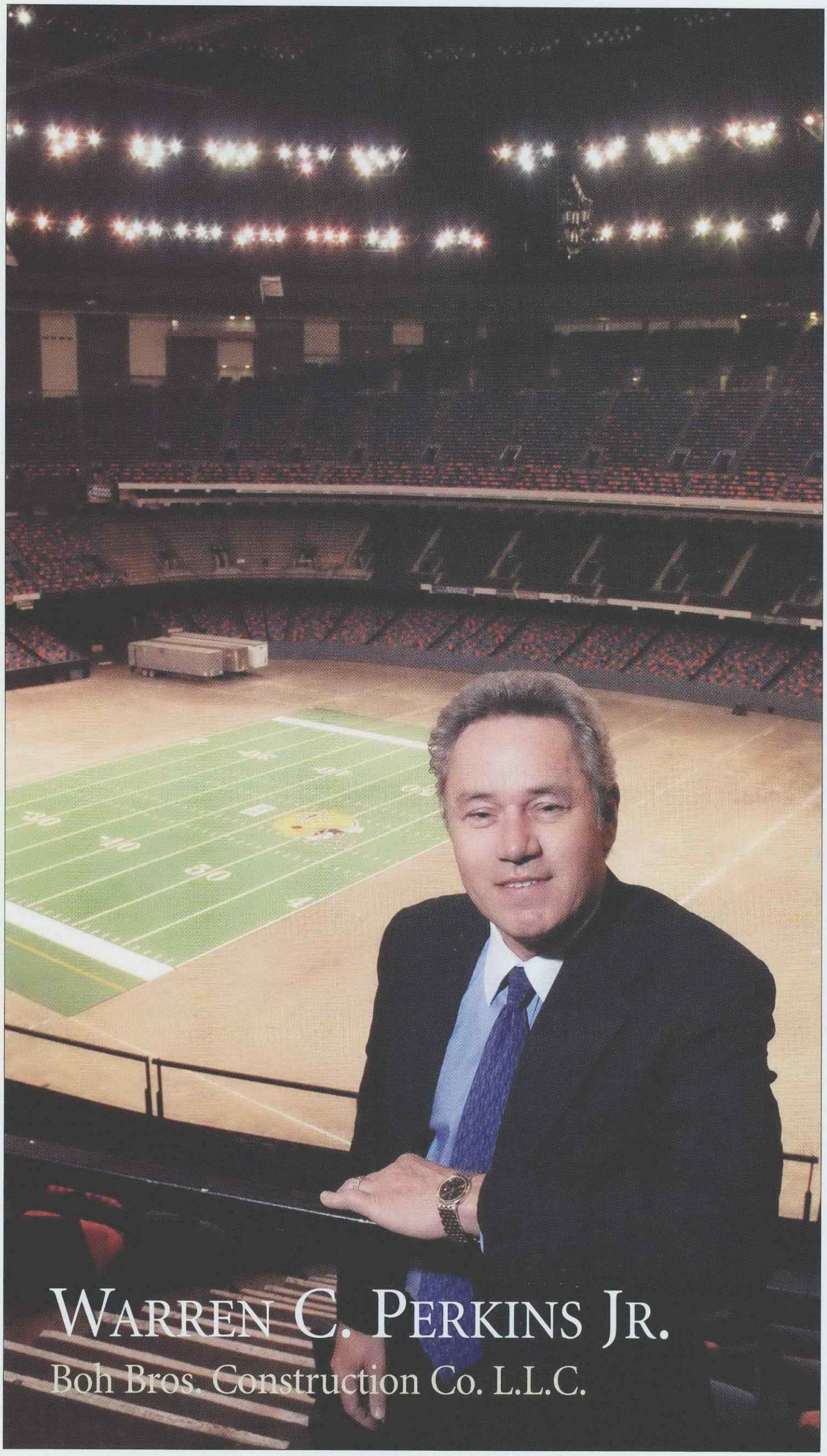


MICHAEL MARCOTTE

Warren Perkins working hard in rebuilding New Orleans

Relationships win renewals

By GAVIN SOUTER

When Hurricane Katrina set its sights on New Orleans nearly two years ago, Warren C. Perkins Jr. did what many of the city's residents did—got himself and his family out of the way.

After sending his wife and daughters to Houston, Mr. Perkins and his son high-tailed it to his aunt's house in Montgomery, Ala., where he waited to see what the hurricane would do to his home and his city.

But as risk manager for one of New Orleans' most well-known construction companies, Mr. Perkins also had to concern himself with what the storm would do to millions of dollars' worth of equipment and property, and the fate of the company's more than 1,500 employees.

Like other managers at Boh Co. L.L.C., he also had to figure out how the company and its various affiliates would get operations quickly back to work and ready to repair the damaged city.

That task in particular took on huge proportions when levees failed and about 80% of the city was under water.

Mr. Perkins had to rely on more than 30 years of experience in risk management and safety to perform his role in getting Boh Bros. Construction Co. L.L.C., the group's main construction unit, ready to play a major part in the ongoing effort to rebuild New Orleans.

Claims, class actions and more

Those efforts included Mr. Perkins and his staff: assessing and processing millions of dollars in claims, ensuring employees had access to medical providers, procuring insurance for employee housing, renewing construction and property/casualty insurance in what for many companies became an almost impossibly tight market, processing a multimillion-dollar extra-expense claim and organizing legal counsel to defend Boh Bros. from a slew of class action lawsuits alleging the company was partially liable for the failure of the flood protection system in New Orleans (see story, page 71).

Meanwhile, he had to deal with his and other family members' personal insurance claims and housing, and organize repairs to his home, which suffered significant damage in the storm.

It was for those efforts and the years of solid risk management practice before the storm that Mr. Perkins has been named to the *Business Insurance* 2007 Risk Management Honor Roll.

Indeed, it was Mr. Perkins' skill in managing the exposures of Boh Bros. and the relationships that he fostered and maintained with his insurers in the years before storm that helped the company deal with the crisis.

Those relationships helped get claims paid and helped ensure that Boh Bros. had adequate coverage when, after Katrina struck, Gulf Coast businesses faced one of their toughest insurance renewal periods ever.

"A lot of risk mangers say, 'Let's get everything at the lowest price we can,' and that is not the way with Warren," said Charlie Eshleman, vp at Gillis, Ellis & Baker Inc., a New Orleans-based independent agent that handles property, hull, boiler and machinery, and several other placements for Boh

See **PERKINS** next page

Serendipity played major role in uniting Warren Perkins, Boh Bros.

Building in-house capabilities as well as insurer relationships

By GAVIN SOUTER

If Congress hadn't passed the Occupational Safety and Health Act in 1970, Warren C. Perkins Jr. might be working in psychology.

It was shortly after passage of the landmark legislation that Mr. Perkins' podiatrist father heard from a patient who worked in education that safety management was becoming a hot new area of study thanks to the law's enactment.

As a result, Mr. Perkins, who had been studying psychology, switched to occupational safety and health administration.

The change in direction came at a busy point in his life. After marrying at 18, Mr. Perkins went to work at a variety of jobs, including time as a longshoreman and then as a psychiatric technician, where he worked nights at a hospital and went to college during the day. "I slept when everybody else was awake. It was a very odd life," Mr. Perkins said.

After gaining an associate degree, he started on his safety career in 1974 by working as a safety representative for Gray & Co. Inc., a local managing general agent. There he handled several, mostly construction-related, accounts and provided inspection and safety training services. Coincidentally, one of his largest accounts was Boh Bros. Construction Co. L.L.C.

He then held several other safety and insurance-related jobs before becoming risk manager for Boh Bros. in 1986 (see box).

In the meantime, he continued to attend school at night, first to obtain his bachelor's degree and later to obtain his master's in business administration.

'I had the safety background, the claims, background. I had the business degree, but I really didn't have a lot of intricate insurance coverage, so I learned that on the job.'

Warren C. Perkins Jr., Boh Bros.

At Boh Bros., he began working with Robert Boh, who then was being groomed to take over as head of the family construction company, to implement a significantly more sophisticated risk management program.

One of the first changes was bringing in a third-party administrator, F.A. Richards & Associates Inc. of Mandeville, La., which enabled Boh Bros. to take greater control of its claims process, rather than simply pass claims on to its casualty insurer, American International Group Inc.

Among other things, Mr. Perkins orchestrated preferred provider discounts, medical bill review programs, nurse case management providers and precertification policies, all of which have helped reduce the cost of workers compensation claims at Boh Bros.

"We haven't had an experience modifier of greater than one for at least 14 years," Mr. Perkins said. "We have a good loss-control program and we keep our people, so the people that are in supervisory positions are the same people that have been around for 20 years," and that consistency in personnel and safety practices has helped keep comp claims low, Mr. Perkins said.

He also established in-house claims management capabilities manned by a full-time claims manager, Jeff Clement, and implemented an in-house litigation management program that included developing a panel of attorneys who work closely with Boh Bros. staff to track and resolve claims.

In addition, Mr. Perkins took greater control of the renewal process for Boh Bros. property/casualty and other insurance placements. Prior to his appointment, a local agent had acted as the firm's liaison with its broker, Marsh Inc. However, when the agent retired in 1987, Mr. Perkins took over responsibility for the placement process.

"I got a lot of self-education on the job through (the International Risk Management Institute) and (the Risk & Insurance Management Society Inc.). I had the safety background, the claims background. I had the business degree, but I really didn't have a lot on intricate insurance coverage, so I learned that on the job," he said.

Several years later, after Boh Bros. had grown from a company that focused mainly on Louisiana to one that took on projects throughout the Gulf Coast, Mr. Perkins issued a request for proposal to most of the large insurance brokers in the area. In 1998, Boh Bros. moved its account to Willis Group Holdings Ltd., which remains the company's broker for casualty and builders risk programs.

As Boh Bros. expanded, Mr. Perkins also expanded its coverage resources by joining a rent-a-captive, Hamilton, Bermuda-based Universal Re-Insurance Co. Ltd., about five years ago. The company has used the rent-a-captive to build up a loss fund for subcontractor default coverage, among other things.

The facility has grown to a sufficient size that Boh Bros. is "kicking around" the idea of setting up a full captive, he said. "We've gotten to the point where it would be viable. But we are still happy with our arrangement with Universal Re."

Mr. Perkins has also worked to purchase additional coverage as Boh Bros. has grown as a company.

"We had a design staff when I started, but it was very minor and they didn't even buy insurance. Then, when I came on and they started expanding and I started having more influence, I started promoting that they need to buy insurance, and that has evolved significantly," he said.

So Boh Bros. now buys professional liability insurance, including pollution coverage, through AIG units.

In addition, Mr. Perkins expanded the amount of excess liability coverage that the company buys. When he arrived at Boh Bros., it bought only $2 million in limits in the hard market of the mid-1980s, but since then he has expanded the limits to $75 million, with AIG remaining the lead insurer.

One thing that hasn't changed is Boh Bros.' surety bond provider, which has remained the same company for the past 70 years. For most of those years, it was known as Fidelity & Deposit Cos., but today it is an integrated part of Zurich Financial Services. Boh Bros. deals directly with the insurer.

Outside of work, the 55-year-old is a keen golfer, so much so that he now lives in a house that backs onto a golf course. Although his house was severely damaged by Hurricane Katrina, it was finally restored fully about six months ago. Once more, he is able walk out of his back yard and practice his chipping and putting on the 14th green.

His wife of 37 years, Barbara, was a legal secretary, but became a post-Katrina retiree and spent much of her time after the storm as the family's "construction manager" overseeing restoration of their home.

The Perkins have three children: Kelly, 36, who has three children of her own, including twins; son Adam, 25, who works in automotive marketing; and daughter Casey, 17, who is still at home.

MICHAEL MARCOTTE

Warren Perkins, risk manager for Boh Bros. Construction Co. L.L.C., and Robert S. Boh, president and chief executive officer of the company.

Perkins: New Orleans education mission

CONTINUED FROM PREVIOUS PAGE

Bros. "That's not to say that he is not concerned about the dollars spent. He is extremely concerned, but the philosophy of the company is that they like to have long-term relationships...and they believe in idea of, 'We'll stick with you if you stick with us.'"

As a result of the focus on the long term, Boh Bros. managed to keep the same property, equipment and hull insurers they had prior to Katrina for the renewals since the storm, despite the huge reduction in capacity available for Gulf Coast risks, Mr. Eshleman said.

Those relationships have been important on the liability side of the program as well, said Michael Tubbs, vp at Willis of Louisiana, a unit of Willis Group Holdings Ltd., who handles much of Boh Bros. liability placements.

"As a company, they believe in relationships and they have to have a lot of good reasons to change a relationship," Mr. Tubbs said. For example, American International Group Inc. has been the main liability insurer for Boh Bros. for more than 20 years, he said.

The long-term relationships "have paid off in claims situations. He gets the opportunity to say, 'I want you to take one more look at this situation,' and that has sometimes allowed him to take a tougher stance" rather than settle questionable claims with a third party, he said.

In addition, Mr. Perkins has fostered relationships within Boh Bros. to ensure that managers at its various units and departments are aware of the risks they face and that they are sufficiently well-protected, said Mr. Tubbs.

"We have a pretty sophisticated insurance program and all of that is because of his curiosity and his approach," Robert S. Boh, president of Boh Bros., said of Mr. Perkins.

"He's pushed us into some new areas in terms of managing risks," Mr. Boh said. For example, over the years Boh Bros. has taken much greater control of its claims and is more comfortable taking on larger deductibles since Mr. Perkins brought in a third-party administrator.

In addition, Mr. Perkins secured significant builders risk capacity for Boh Bros. after Hurricane Katrina, when many insurers were reluctant to take on risks in New Orleans.

"He had to get out and educate the markets about New Orleans," said Mr. Boh, who noted those efforts likely have helped other businesses in the region. "The future of our community depends on private investment, and you can't have private investment without insurance."

WARREN C. PERKINS JR.

EDUCATION: 1975, Delgado Community College, New Orleans: Associate degree in occupational safety and health administration.
1979, Our Lady of Holy Cross College, New Orleans: Bachelor's in occupational safety and health administration.
1986, Loyola University, New Orleans: Master of business administration

CAREER: 1974-1975, Gray & Co.: Safety representative for a managing general agent.
1975-1980, Barriere Construction Co. L.L.C.: Safety director.
1980-1981, Baroid Petroleum Services: Regional safety director.
1981-1986, Organ & Co. (later American Excess Underwriters Inc.): Claims supervisor at the MGA.
1986-present, Boh Co. L.L.C.: Joined as risk manager, promoted to vp in 2002.

PROFESSIONAL AFFILIATION:
1991-1992, president of the South Louisiana chapter of the Risk & Insurance Management Society Inc.

Despite Katrina's destruction, the rebuilding show went on

As main Army Corps contractor, Boh Bros. 'had to keep going'

By GAVIN SOUTER

As risk management nightmares go, it's hard to top what Warren C. Perkins Jr. faced after Aug. 29, 2005.

First, he had to evacuate himself and his family from New Orleans as Hurricane Katrina barreled down on the city and then tore up his company's properties. Then he had to set up remote operations as it became clear that the flooding that followed the storm had inundated his office and his home. After that, he had to ensure that more than 1,500 employees had access to health care. Then he had to gather information on numerous property and equipment losses as he organized the most complex set of claims he had ever encountered or is likely to encounter again. And then, as the main contractor to the U.S. Army Corps of Engineers, he had to make sure that Boh Bros. Construction Co. L.L.C. was fully covered as it set about its tasks in stemming the flooding and rebuilding the infrastructure of New Orleans.

Warren C. Perkins Jr. 'did so many things that went above and beyond what most risk managers are called on to do.'

Louis P. Iglesias,
AIG Global Risk Management

Meanwhile, looming in the months ahead were insurance program renewals that, thanks to Katrina, would prove to be among the toughest that any business along the Gulf Coast has faced.

In part, due to his and his colleagues' response to the calamity that his company and his city faced, Mr. Perkins, vp, risk manager at Boh Co. L.L.C., the administrative management arm of Boh Bros., has been named to the *Business Insurance* 2007 Risk Management Honor Roll.

Before Katrina struck Southeast Louisiana and Mississippi, Mr. Perkins had evacuated to his aunt's house in Montgomery, Ala. There, with the aid of his broker, Willis Group Holdings Ltd., he set up an emergency office where he worked for the next two weeks, coordinating risk management functions for Boh Bros. as the company took on complex emergency repair projects, including sealing levees, pumping out water and repairing bridges and other parts of New Orleans' infrastructure.

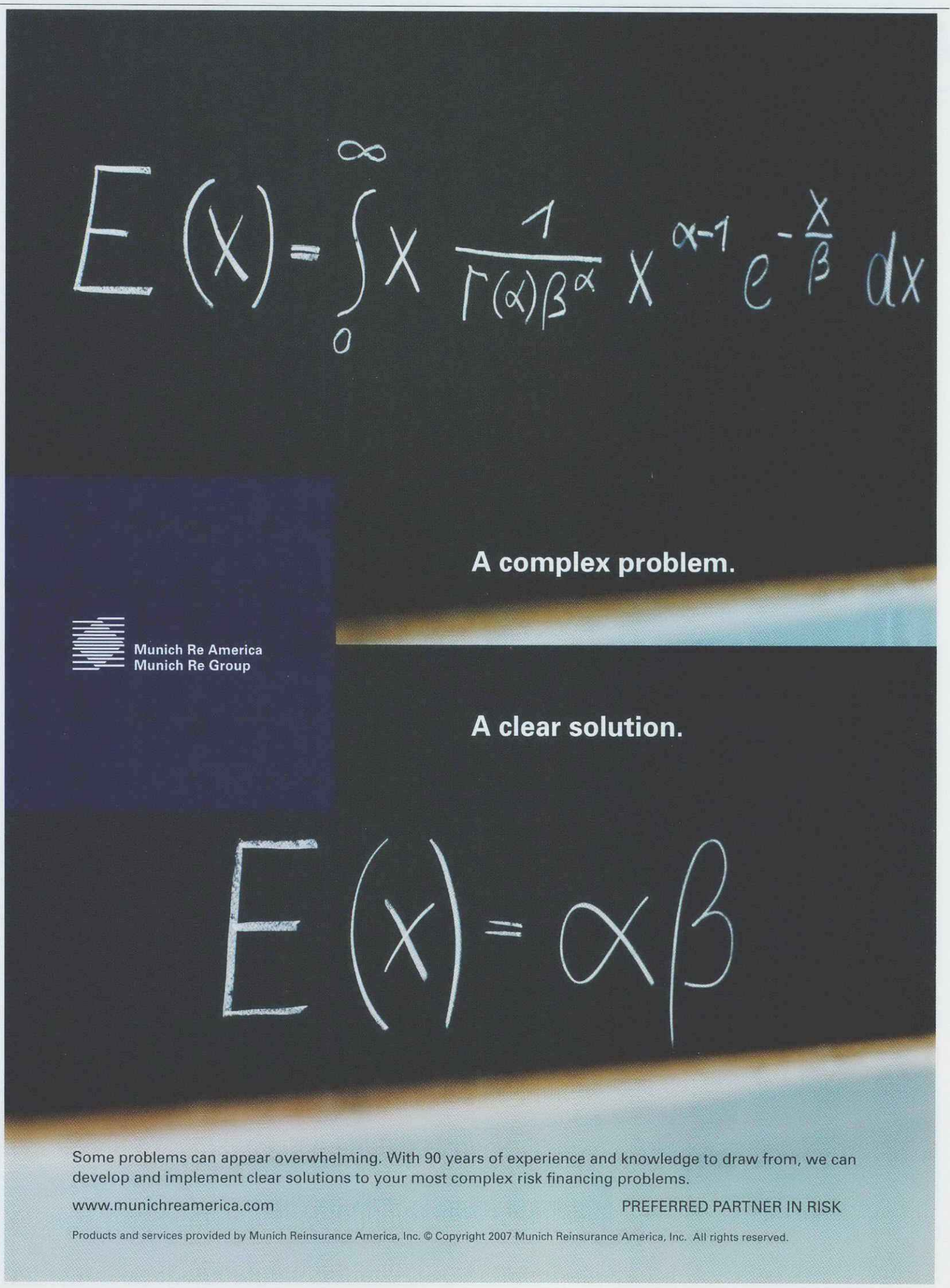
"They weren't like other companies in New Orleans. They couldn't shut down and abandon the city. They had to keep going because they were being called on to save the city," said Louis P. Iglesias, president of AIG Global Risk Management, a unit of American International Group Inc. "He did so many things that went above and beyond what most risk managers are called on to do," said Mr. Iglesias, who nominated Mr. Perkins.

The company, which has operated in New Orleans for nearly a century, faced numerous, and in many cases unprecedented, risks and challenges as it set about its work. And as its workers performed those tasks, they incurred expenses that Mr. Perkins is still accounting for and negotiating with his property insurers as an extra-expense claim.

Those expenses ranged from hiring a helicopter to drop Boh Bros. staff onto the roof of the company's offices so they could retrieve information needed for the company to bid on a $31 million bridge repair less than a week after the storm; to costs associated with setting up 30 trailers in a Boh Bros. equipment yard to provide housing for employees as they worked to save the city; to paying for shipment of basic supplies, such as truck loads of water from Oklahoma.

Perhaps the biggest extra-expense claim that Boh Bros. faced was the cost of retrieving two huge cranes on derrick barges and two material barges that had been attached to a dock at the company's yard in east

See **KATRINA** next page



MICHAEL MARCOTTE

Warren C. Perkins Jr., vp, risk manager for Boh Co. L.L.C., at the 17th Street Canal bridge rebuilding project necessitated by Hurricane Katrina.

Katrina: Expert 'marine guy' aids rescue

CONTINUED FROM PREVIOUS PAGE

New Orleans but that broke away from their moorings during Katrina. "All four of these barges floated down a canal and ended up a couple of miles away, stuck on the shoreline. So we had to get the barges off the shoreline and it was not an easy thing to do," Mr. Perkins said.

In particular, the derrick barges were a problem because they were so heavy. Eventually, with the help of a barge company, Boh Bros. hooked up hoists and operated the cranes so that they dug the barges out while they were being pulled.

"That was quite a process, and I was given the task of arguing that that cost was recoverable under the sue-and-labor clause of our hull policy," Mr. Perkins.

Sue-and-labor clauses were first placed in marine insurance policies to respond to situations such as the jettisoning of cargo to save a sinking ship.

At the time of Katrina, Boh Bros.' hull coverage was placed with Westport Insurance Corp., although it is now covered by AXIS Insurance.

To assist with the claim, Boh Bros. called on Bill Condon, a marine insurance expert at Arthur J. Gallagher & Co., which had a relationship with Gillis, Baker & Ellis, the independent agent that handles the Boh Bros. hull and property placements.

"He was just unbelievable; he is the best marine guy I ever came across and he helped me. He was key," said Mr. Perkins. Mr. Condon's efforts helped secure a $1.1 million claims payment for the costs of rescuing the barges.

Many of the other extra-expense claims are with Boh Bros.' main property insurer, Hanover Insurance Co., and are still being processed, though the insurer has paid an advance on the claims, he said.

"It's just a very arduous process. We have 17 properties and each property has $250,000 in limits, so I have to tie the extra expense to each property, and that's very difficult when you have a lot of people working in the field," Mr. Perkins said.

'I was...arguing that that cost was recoverable under the sue-and-labor clause of our hull policy.'

Warren C. Perkins Jr., Boh Co. L.L.C.

In addition to the extra-expense claims, Boh Bros. had more routine property damage claims with Hanover.

Of the 17 properties, three were destroyed by the storm and 11 were damaged. The total claim was $1.5 million.

Boh Bros., like many businesses in New Orleans, did not have flood coverage at the time of Katrina. The company has since purchased National Flood Insurance Program coverage. Despite the lack of flood coverage, much of the damage to Boh Bros. property was determined to be as a result of the storm rather than the subsequent flooding and the company was paid $1.2 million for its Katrina-related property losses.

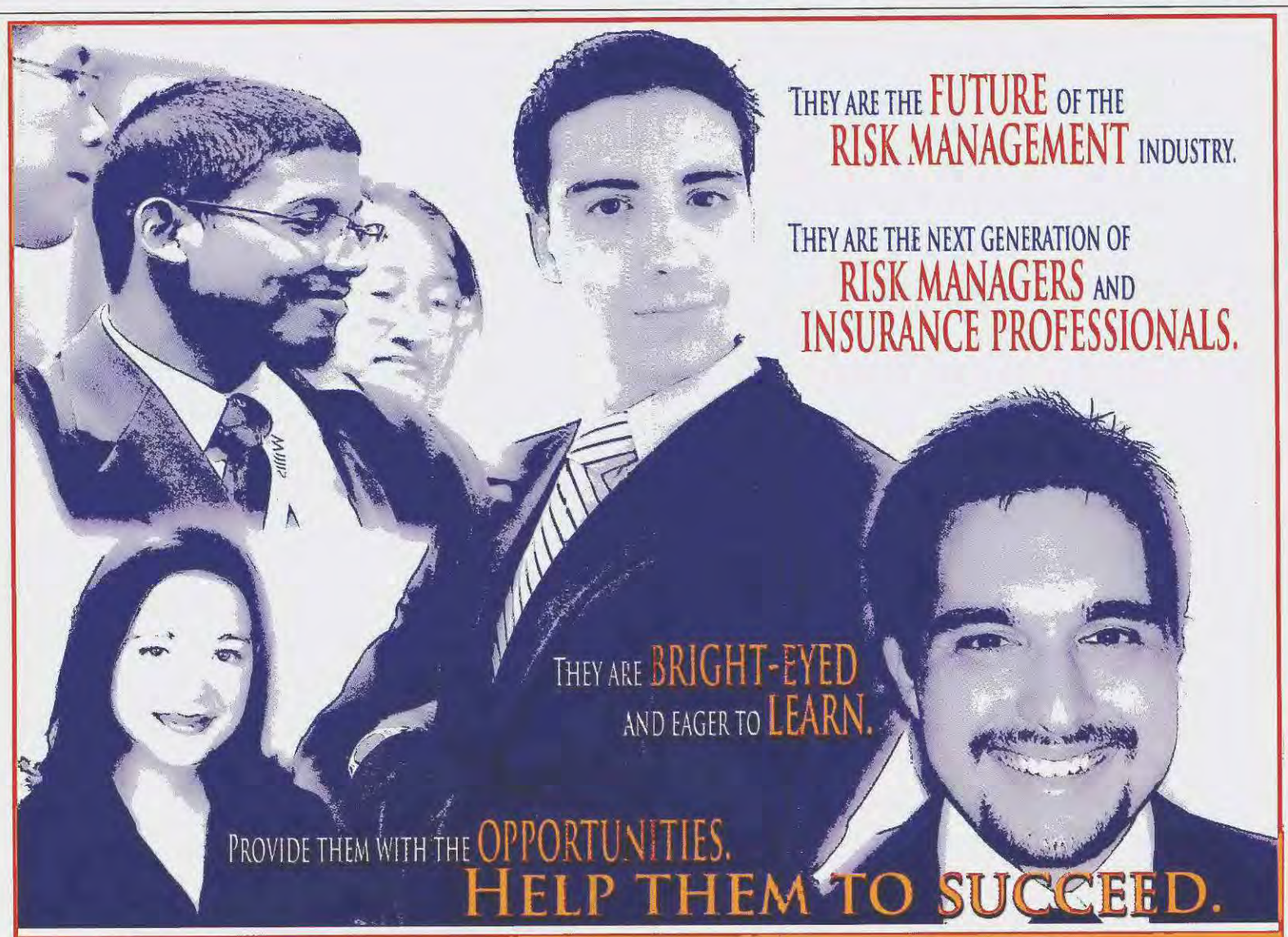
On the equipment side, the company had 180 pieces of equipment worth $60 million and much of it had to be fixed or replaced, which resulted in a $3 million claim with Hanover. All but about $500,000 has been paid, Mr. Perkins said.

At renewal in 2006, Hanover stayed with Boh Bros. despite the flight of insurance capacity from New Orleans risks that many businesses in the area had to endure.

The equipment coverage premium doubled, but on the property side, the premium increase was small, though the policy now includes a 5% separate windstorm deductible.

On the casualty side, Boh Bros. did not see a significant spike in workers compensation claims after Katrina. In 2006, Boh Bros. had only six lost-time injuries with more than 3.5 million employee hours worked.

"That all comes down to making sure that safety and loss control don't get put on the back burner when you are trying to fix things quickly," said AIG's Mr. Iglesias.



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Boh Bros. avoids a flood of negative publicity

By GAVIN SOUTER

The day before Thanksgiving in 2005, it looked like Boh Bros. Construction Co. L.L.C.'s reputation was on the line.

The 98-year-old construction company, which previously had been praised for the work it had done to help save New Orleans after Hurricane Katrina struck, was now the subject of 15 class action lawsuits claiming that the company was at least partially responsible for the breach of 17th Street canal.

The breach, which had caused devastating flooding in the city's Lakeview area, had been made possible because Boh Bros., which had built the canal wall 14 years earlier, had driven in steel sheeting for the wall that was 7 1/2 feet shorter than specified, according to an engineering expert investigating the breach.

When news of the expert's opinion got to Warren C. Perkins Jr., he realized that it was only a matter of time before the allegation would become widespread public knowledge and his company's reputation would be severely damaged.

Mr. Perkins, vp, risk manager at Boh Co. L.L.C., the administrative management arm of the construction firm, remembered that Boh Bros.' liability coverage from American International Group Inc. included crisis management coverage. So at 3 p.m. he called AIG and set the wheels in motion.

"I was very impressed. I got home about 6 p.m., and when I got there a guy from AIG called and wanted to know what the deal was," he said.

AIG then immediately contacted Hill & Knowlton Inc., an international public relations consultancy, which also contacted Mr. Perkins. "I went through it again with them, so then on Friday we were full blown into it," Mr. Perkins said.

Hill & Knowlton agreed to bring in a local independent public relations consultant, Ann Barks, who set to work with the U.S. Army Corps of Engineers—which commissioned Boh Bros. to build the canal wall—and its communications team to produce a "media event" at the site of the breach.

As part of the preparation for the event, Hill & Knowlton flew in a media training expert to give a crash course in dealing with the media to Robert S. Boh, president of Boh Bros., and Mr. Perkins.

When everybody was ready, the team invited a slew of journalists and other interested parties to the site.

"We pulled the sheeting on camera with everybody watching and measured it, took a picture and put it on the ground, pulled another piece of sheeting and another one and every one of them were the length that was specified in the design," Mr. Perkins said.

The media and plaintiffs' lawyers who had gathered to watch dispersed and the allegation that Boh Bros. had neglected to fulfill its contractual duties in building the wall failed to make the headlines.

Later studies of the canal wall determined that the original specifications were insufficient.

"We did what we were told to do, but they should have designed sheeting that was longer," he said.

Earlier this year, a judge ruled that the original 15 suits were time barred, and Boh Bros. is confident that a further 19 suits will be similarly dismissed, Mr. Perkins said. "We are constantly dealing with this issue."

Risk manager as city promoter

Tour of U.S., London sought to secure underwriting support

By GAVIN SOUTER

In addition to his traditional role as a risk manager, Warren C. Perkins Jr. took on the task of informing brokers, underwriters and politicians about the reality of risks in New Orleans after Hurricane Katrina struck the city.

Those efforts saw him head to Washington to testify before a Senate committee, to London to talk to brokers and underwriters in a critical market for many risk managers, and to various cities within the United States as he sought to persuade insurers that New Orleans was still a city where they could do business.

His trip to Washington was made in November 2005 when he was asked by the Associated General Contractors of America trade group to testify in support of a bill seeking to limit the liability of contractors when they respond in the aftermath of a disaster.

Mr. Perkins is vp, risk manager at Boh Co. L.L.C., a sister company of Boh Bros. Construction Co. L.L.C., which was the main contractor to the U.S. Army Corps of Engineers after Hurricane Katrina. The company responded to the disaster by embarking on numerous projects with agreements that were based on little more than a handshake. The intent of the bill, the Gulf Coast Recovery Act, was to promote quick responses to disasters.

Though that effort ultimately was unsuccessful, Mr. Perkins had more success in winning over insurance

See **LOBBYING** next page

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Lobbying: Client conference proved a key turning point

CONTINUED FROM PREVIOUS PAGE

markets to New Orleans' risks.

Those efforts began with a trip to London to speak with brokers and underwriters to explain, among other things, that New Orleans was not completely immersed after Katrina and that many areas of the city, in particular the central business district, were only marginally affected by the floods that followed the storm.

Mr. Perkins made similar presentations in the United States to underwriters and executives at Lexington Insurance Co. in Boston and to the Inland Marine Underwriters Assn. in New York.

Through those efforts, he believes, he helped persuade underwriters to offer additional capacity to businesses in New Orleans in general and to Boh Bros. in particular.

Reconstruction coverage

Builders risk insurance was a specific concern for Boh Bros. as it took on numerous repair and reconstruction jobs after Katrina.

"We had engineers coming back to us saying that they wanted to quote" a given construction project, recalled Margaret Lamere, risk manager administrative assistant, but the market for the coverage was tough after the storm. The coverage was provided on a per-job basis and, though coverage was available in most cases in spite of the tough market, Mr. Perkins had to make special trips to secure coverage for certain projects.

For example, Broadmoor L.L.C., a Boh Bros. unit, was bidding on the $120 million repair of the New Orleans Superdome and few insurance markets were interested in offering builders risk coverage for the project.

To help secure coverage, Mr. Perkins took up an invitation from a friend whom he had met through business to attend a client conference that was put on by ACE Ltd. in Naples, Fla., on the understanding that he could get some time with John Berger, a senior property insurance executive at the insurer.

"We had never met before, but I met him at the bar in the hotel and sat there for an hour and a half promoting the project and saying, 'You've got to help me with this.' We hit it off and it helped get the deal done," Mr. Perkins said.

With Lexington as the lead and ACE and Munich Reinsurance Co. also on the risk, Boh Bros. was able to win the bid and repair the stadium in time for the lavish festivities surrounding the 2006 return of the New Orleans Saints to their home turf.

"If there is anything that I'm proud of, it's the relationships I've developed," Mr. Perkins said.

Changes target health care costs

By GAVIN SOUTER

Like many employers, Boh Bros. Construction Co. L.L.C. has seen its health care costs soar in recent years.

In 2005, it decided it had to do something about those costs by giving employees a financial interest in controlling health care expenses.

The company had offered employees several options: a health maintenance organization plan, a preferred provider organization-driven indemnity plan and a qualified high-deductible plan linked to a health savings account.

All three were funded with a $100,000 deductible administered by Boh Co. L.L.C., the administrative management arm of the construction company, and its third-party administrator. The plans covered 365 salaried employees and more than 300 of their dependents. The remaining 1,300 Boh employees were covered by separate plans or through union plans to which Boh contributes.

MICHAEL MARCOTTE

The risk management staff at Boh Co. L.L.C. (seated): Jeff Clement, casualty claims manager; Susan Talbot, benefits administrator. (standing) Brenda Ransom, insurance administrative assistant; Warren Perkins, vp, risk manager; Margaret Lamere, risk management administrative assistant.

In 2005, though, after seeing the HMO plan's costs rise an average of 45% annually for several years, the company announced that it would eliminate its HMO in 2007. Then in 2006, after reviewing the PPO plan and seeing a continued double-digit cost increase trend, the company decided to eliminate that option as well in 2007.

"It wasn't that the company was saving dollars, it was more about getting people to recognize the cost of health care," said Susan Talbot, Boh's benefits administrator, who reports to Warren C. Perkins, vp, risk manager.

Once those costs are recognized, employees are more likely to keep tighter control of them by, say, moving to generic drugs from brand-name drugs, she said.

After Hurricane Katrina, Boh made more changes to its health care program.

After the storm hit, the company realized that the most effective way to communicate with employees was through the Internet, so it opted to offer online enrollment, network information and other benefits-related information, Ms. Talbot said.

The company also began offering a Web-enabled employee assistance program.

Independent panel selected *BI* 2007 Risk Manager of the Year

Judges represent industry leaders and top risk managers

Nine independent judges were named this year to select the *Business Insurance* Risk Manager of the Year and Risk Management Honor Roll members.

The 2007 Risk Manager of the Year is the 30th person so honored. The judges reviewed and scored nominees based on information in candidates' nomination forms (see box).

Judges for this year's awards were:

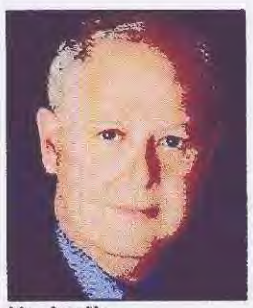
- William K. Austin, co-founder and principal of Austin & Stanovich Risk Managers L.L.C., a risk management and insurance consulting firm with offices in Massachusetts and Rhode Island. Mr. Austin, a former risk manager for a large international financial services company, represented risk management consultants on the panel.
- Dennis Bennice, a vp at insurance brokerage Hylant Corp. in Toledo, Ohio. Mr. Bennice, the retired president of Dana Corp.'s Dana Risk Management Services Inc. unit, was a member of the 2006 Risk Management Honor Roll.
- Ryan Brown, director-insurance and enterprise risk management at Peabody Energy Corp. in St. Louis. Mr. Brown, former director of risk management and fleet operations at Raben Tire Co. in Evansville, Ind., was a member of the 2006 Risk Management Honor Roll.
- Robert S. Cubbin, president and chief executive officer of Meadowbrook Insurance Group Inc. in Southfield, Mich. Mr. Cubbin represented midsize brokerages on the panel.
- J. Patrick Gallagher Jr., president and CEO of Arthur J. Gallagher & Co. in Itasca, Ill. Mr. Gallagher represented large brokerages on the panel.
- Debra Griffith, director of the property division of the Irving, Texas-based Boy Scouts of America. Ms. Griffith was the 2006 Risk Manager of the Year.
- William Hold, co-founder and president of the National Alliance for Insurance Education & Research in Austin, Texas. The National Alliance conducts research and educational programs relating to risk management and insurance, including the Certified Risk Managers designation program. Mr. Hold, a longtime professor of insurance and risk management, represented educators on the panel.
- David H. Long, president, commercial markets, at Boston-based Liberty Mutual Group Inc. Mr. Long represented mutual insurance companies on the panel.
- Kristian P. Moor, executive vp, domestic general insurance, at American International Group Inc. in New York. Mr. Moor represented stock insurance companies on the panel.

For information and a nomination form for 2008, please visit *www.BusinessInsurance.com/RMOY* or request one from *BI* Editor Regis Coccia by sending an e-mail to *rcoccia@BusinessInsurance.com*.

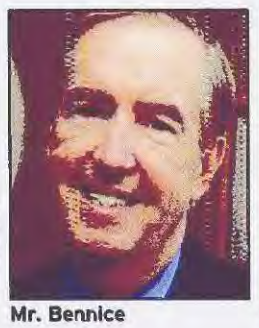
RMOY CRITERIA

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

- Establishes and implements an effective risk management program within the organization.
- Tackles and solves one or more major problems.
- Innovatively applies the diverse tools of risk management and insurance.
- Creatively and effectively uses insurance markets to serve the organization's needs.
- Establishes a workable intelligence system inside and outside the organization, culminating in a flow of information about events and activities that affect risk management and insurance.
- Skillfully performs the functions of management, including planning, organizing, directing and controlling.
- Achieves the most effective program at optimum cost.
- Develops technical expertise in risk management.
- Exhibits an attitude and performs activities fostering advancement of the risk management profession.
- Develops in his or her career.



Mr. Austin



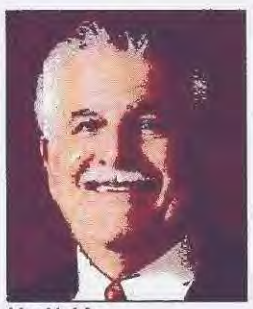
Mr. Bennice

Mr. Brown

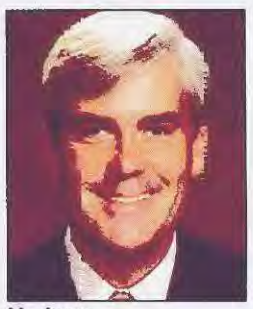
Mr. Cubbin

Mr. Gallagher

Ms. Griffith



Mr. Hold



Mr. Long

Mr. Moor

Risk Management Honor Roll members from previous years

2006: **Dennis L. Bennice,** Dana Corp.
Ryan Brown Raben Tire Co.

2005: **Al Gorski,** Orange County Transportation Authority
Bradley R. Wood, Marriott International Inc.

2004: **Joan Conner,** Maine Municipal Assn.

2003: **Roger L. Andrews,** E.D. Bullard Co.
William G. Chapin, Diocese of Rockville Centre, N.Y.
Johanna M. Zschomler, State of North Dakota

2002: **Lauren M. Gregory,** Metropolitan Transportation Authority

2001: **Gary Baxter,** Weyerhaeuser Co.
Peggy Nakamura, Adventist Health System/West

2000: **Theodore G. Jeske,** Historic Tours of America Inc.

1999: **David A. Holcombe,** International Speedway Corp./NASCAR
Lewis Leigh, Washington Cities Insurance Authority
Sheryl Pixler, Storage Technology Corp.

1998: **James E. Green,** Justin Industries
Mark L. Hubbard, Loma Linda University/ Adventist Health Science Center
Edward Molloy, Aetna Inc.

1997: **John J. Carney,** National Freight Industries Inc.
Betsy Kutska, Park District Risk Management Agency
William R. Powell, Salt River Project
Russell Opferkuch, Bankers Trust Co.
Jeannie Sedwick, AHA-Insurance Resource Inc.

1996: **Craig S. Macdonald,** Bi-State Development Agency
Michael Tawney, Loomis Armored Inc.

1995: **Lee D. Holland,** Tennessee Municipal League Risk Management Pool
K.C. Kidder, Norwest Corp.
Judith Payne, South Dakota
Bruce Zaccanti, Jupiter Mechanical Industries Inc.

1994: **Sal M. Bianchi,** Intergovernmental Risk Management Agency
Judith Moses McDonald, Comerica Inc.
Ronald J. Guilfoile, City of St. Paul, Minn.
Thomas J. Hickey, Malcolm Pirnie Inc.

1993: **David G. Adler,** The Portman Cos.
Thomas E. Bell Sr., Middle Cities Risk Management Trust
June Dickinson, SunTrust Banks Inc.
C. David White, State of Oregon

1992: **Marc Darby,** Bombardier Inc.
Jerry Newsom, State of Georgia
Judith Tornese, Transamerica Corp.

1991: **Donald D. Batchelor,** Union Planters Corp.
Mary L. DeCampli-Stewart, Metropolitan Washington Airports Authority
Rod Umscheid, University of California

1990: **Josephine Goode Johnson,** University of Maryland Medical Service System
Roger D. Oaks, Tennessee Farmers Cooperative
M. Michael Zuckerman, Thomas Jefferson University

1989: **John A. Lindquist,** Browning-Ferris Industries Inc.
J. Douglas Higley, State of Louisiana

1988: **Gregory L. Daniels,** American National Red Cross
Timothy G. Galarnyk, Lunda Construction Co./ Phoenix Steel Inc.
Stephen A. Finley, City of Lakewood, Colo.
Edward G. Weiss, First of America Bank Corp.

1987: **Susan M. Werner,** Hardee's Food Systems Inc.
Mark F. Wilson, First Mississippi Corp.

1986: **Delmer Ison,** Washington Metropolitan Area Transit Authority
William E. Rogers, Conemaugh Valley Memorial Hospital

1985: **Susan N. Weiner,** Dade County Public Schools
Eva F. Goodrich, Cincinnati Electronics Corp.

1984: **Sidney D. Blatt,** Holloway Cos.
Gene Snyder, State of Oregon

1983: **Jerri Nelson MacMillian,** Aetna Life & Casualty Cos.' Real Estate Investment Department
Robert Sinclair, Metropolitan Government of Nashville and Davidson County

1982: **Spencer J. Traver,** BF Goodrich Co.
Paul B. Harvey, Ponderosa Homes
Gene M. Marsh, General Conference of Seventh-Day Adventists
George N. Pierce, Orange County, Fla.

1981: **Robert Bieber,** Westchester County
William Ryan, University of Michigan

Risk Managers of the Year 1978-2006

2006: Debra Griffith, Boy Scouts of America

2005: James D. Hinton, HCA Inc.

2004: Christopher E. Mandel, United Services Automobile Assn.

2003: Sheila Small, Verizon Communications Inc.

2002: Daniel H. Kugler, Snap-on Inc.

2001: Dan Hartman, State of Oregon

2000: Paul F. Buckley, Lucent Technologies Inc.

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

1998: Philip J. Grewar, Government of British Columbia

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

1991: Arnold L. Davenport, Marriott Corp.

1990: Stephen M. Wilder, The Walt Disney Co.

1989: Jeffrey W. Pettegrew, Contra Costa County Municipal Risk Management Insurance Authority

1988: William L. Mather, The Gillette Co.

1987: Edith F. Lichota, Irving Trust Co.

1986: Donald Nelson, ARA Services Inc.

1985: Harold C. Lang, Leaseway Transportation Corp.

1984: Richard M. Inserra, American Can Co.

1983: John A. O'Connell, Holy Cross Shared Services Inc.

1982: Eckart Russell, Alcan Aluminium Ltd.

1981: Duane E. Allen, Hanna Mining Co.

1980: Thomas V. Hallett, General Motors Corp.

1979: Edward L. Erickson, American Broadcasting Cos. Inc.

1978: Howard T. Weber, Minnesota Mining & Manufacturing Co.

Celebrating three decades of risk excellence

A special commemorative issue of *Business Insurance*, compiling profiles of all 30 winners of the Risk Manager of the Year award, is available online at *www.BusinessInsurance.com*. The issue, "30 Years of Risk Management Best Practices," features summaries and insights on successful risk management, loss control and risk financing programs since the award's creation in 1977 to the present day. To view this special edition, visit *BusinessInsurance.com*.

2008 nominations accepted

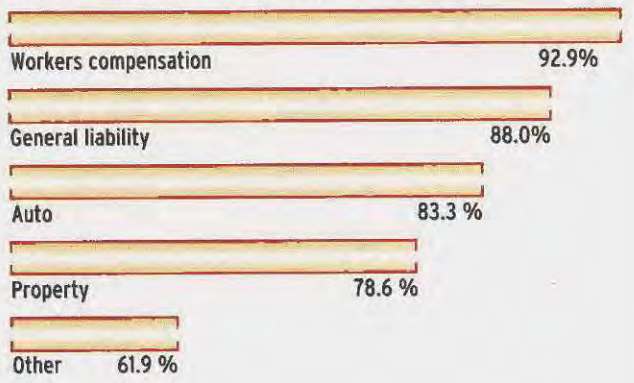
To nominate a risk manager for the 2008 Risk Manager of the Year® award, the first step in the process is to provide basic details about the candidate as well as complete a brief essay stating the candidate's recent accomplishments that make him or her worthy of consideration for this award. Download the Risk Manager of the Year® Nomination Form, Part I, at *www.businessinsurance.com/RMOY*. The deadline for nominations is Nov. 1, 2007.

TYPE OF SYSTEMS

Source: BI survey

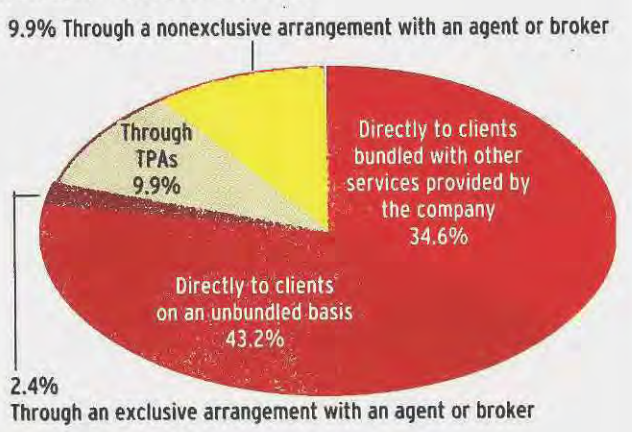
TYPES OF CLAIMS MANAGED

Most common claims handled by RMIS



Source: BI survey

HOW RMIS PRODUCTS ARE SOLD



Source: BI survey

Ranking

Largest risk management information systems providers

*Ranked by the number of installations in risk management departments**

Rank	Company/Address	Phone/Fax/Web site	System name	2006 number of installations	Price	First installation	Principal officer
1	CS STARS 500 W. Monroe St., Chicago, Ill. 60661-3630	800-927-3343 Fax: 312-627-6590 *www.csstars.com*	**STARS**	22,900	N/A	1967	Robert G. Petrie III, CEO
2	Computer Sciences Corp. 200 W. Cesar Chavez, Austin, Texas 78701	800-345-7672 *www.csc.com/riskmanagement*	**RISKMASTER**	15,000	N/A	1982	Van B. Honeycutt, chairman/CEO
3	Gallagher Bassett Services Inc. The Gallagher Centre, 2 Pierce Place, Itasca, Ill. 60143-3141	630-773-3800 Fax: 630-285-4000 *www.gallagherbassett.com*	**risxfacs.com**	14,150	N/A	1983	Rich McKenna, president
4	Travelers Cos. Inc. 1 Tower Square, Hartford, Conn. 06183	860-277-2770 Fax: 860-277-2876 *www.travelers.com*	**e-CARMA**	10,366	N/A	1983	Matthew L. Carden, vp
5	Aon/Valley Oak Systems Inc. 200 E. Randolph St., Chicago, Ill. 60601	866-433-1672 Fax: 866-422-7145 *www.aon.com/esolutions*	**iVOS/RiskConsole**	7,273	N/A	1994	Kathleen Burns, managing director-Americas
6	Effisoft USA 57 E. Main St., Suite 217, Westborough, Mass. 01581	508-475-0670 Fax: 508-475-0671 *www.effisoft.com*	**Webrisk**	3,500	$50,000 to $100,000	1989	Will Warren, president-Effisoft USA
7	Risk Sciences Group Inc. 1900 E. Golf Road, Suite 700, Schaumburg, Ill. 60173	800-619-0224 Fax: 847-619-3079 *www.risksciencesgroup.com*	**Sigma Encore**	3,422	$25,000 to $175,000	1978	Kenneth C. Ancona, vp/managing director
8	Liberty Mutual Insurance Co. 230 Commerce Way, Portsmouth, N.H. 03801	603-422-0444 Fax: 603-433-4676 *www.libertymutual.com*	**RISKTRAC**	3,349	N/A	1999	Diane Fandrich, managing director
9	Chubb Corp. 202 Hall's Mill Road, P.O. Box 1650, Whitehouse Station, N.J. 08889-1650	800-715-7475 Fax: 908-572-4380 *www.chubb.com*	**Chubb RMIS Suite of Products**	3,100	$13,700	1994	Michele Fincher, senior vp-underwriting services manager
10	Specialty Risk Services L.L.C. Goodwin Square, 225 Asylum St., 16th Floor, Hartford, Conn. 06103	888-236-4684 Fax: 860-520-2503 *www.specialtyriskservices.com*	**@venture**	3,000	$6,500	1999	Joseph Boures, president-Specialty Risk Services

*Licensed users. N/A=Not available.
Source: *BI* survey
Researched by Kevin Edison and Karen Tucker

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REQUEST FOR PROPOSALS

Auditing Services

The WTC Captive Insurance Company is seeking proposals for auditing services. The Captive is an independent, not-for-profit corporation, created by the City of New York, licensed by the New York State Insurance Department and domiciled in New York State. The Captive received slightly less than $1 billion from the Federal Emergency Management Agency on December 3, 2004. The Captive is insuring the City and its contractors from their work performed on the City's FEMA funded debris removal site.

The Request for Proposal solicits proposals from firms to provide the following services, among others:

1. Audit of financial statements in accordance with generally accepted auditing standards as promulgated by the American Institute of Certified Public Accountants (AICPA).
2. Single audit of the Captive's federally assisted program, covering internal control over the administration of Federal programs and compliance with applicable laws and regulations in conformance with Generally Accepted Government Auditing Standards (GAGAS), as promulgated by the United States Government Accountability Office (GAO) in its publication, Government Auditing Standards, as well as the additional standards for financial and compliance audits contained in the Single Audit Act Amendments of 1996 and the provisions of OMB Circular A133 and its Compliance Supplement.

In addition to other prerequisite qualifications for consideration, each candidate must affirm that it presently satisfies all licensing and certification requirements necessary to conduct business in the State of New York with regard to the scope of service required, and have experience with at least four other captive insurance companies. This experience must include currently serving as auditor to a minimum of two (2) US domiciled single parent or group captive insurers with assets over $50 million. Please contact **clasala@wtccaptive.com** or **jschoenbeck@wtccaptive.com** to request a copy of the Request for Proposal. Proposals are due by Friday, May 18, 2007 at 12 noon.

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A rescue worker walks past an ambulance at the Ulyanovskaya mine in Novokuznetsk, Russia where 108 people were killed in an explosion, which investigators believe was caused by tampering with a gas detection system.

Russian mine disaster highlights safety woes

Changes required to improve procedures in dangerous industry

By RICHARD MILLER

A recent deadly coal mine explosion in Siberia—now reported to have been caused by the deliberate blockage of methane gas detectors—underscores the need for improvements in risk management in the industry, experts said.

An investigators' report earlier this month revealed that the detection system at the Ulyanovskaya mine in Novokuznetsk, Russia had been tampered with, and that this caused a build-up of methane gas that led to the March 19 explosion that killed 108 people—including miners and company management.

The tragedy should propel the Russian mining industry to increase its risk reduction efforts, said John Bacharach, director of IMC Montan, a mining consultancy based in Moscow.

"Since the accident, I have been talking to various people in the industry and my feeling is this accident has really shaken them up," said Mr. Bacharach.

"This is a new mine and people are asking themselves: 'If this can happen in a new mine, it isn't due to Soviet equipment and worn-out facilities. There must be something to learn from this. Things will have to change.'" The mine reportedly opened in 2002.

A colleague of Mr. Bacharach, Ian Robertson, a British senior mining engineer with IMC, was among those killed in the explosion. At the time, Mr. Robertson was conducting a technical inspection of the mine's coal reserves, Mr. Bacharach said.

Beyond Russia, there are signs that in Eastern Europe, mining companies are also taking risk reduction seriously, said Tom Niemi, president of Euromines, the European association of mining industries, based in Brussels. Russian companies are not part of the association.

Former Eastern Bloc countries are "extremely willing" to learn how to develop their mining activities "so that they will be acting in a more

See **MINING** next page

Quebec private health care law won't change most benefit plans

Employers leery of increasing costs with expanded cover

By GLORIA GONZALEZ

MONTREAL—Although Quebec is implementing a law that allows specific health care procedures to be covered by private insurance plans, employers have not shown any interest in adding to the costs of their health plans.

Plan sponsors in Canada are trying to control the rising costs of providing health care benefits and do not want to add to those expenses by paying for health care services already provided by the government. A few employers, though, are paying for private health care as part of their return-to-work programs, according to a consultant.

The law—known as Bill 33—allows specified private medical facilities to perform hip and knee replacements and cataract surgery, even though these services are included in the publicly funded health care system, because of long waiting times at public facilities.

Under the law, insurers and sponsors of employee benefit plans are permitted to enter into insurance contracts to cover those specific services.

"Bill 33 opens the door to private insurance for a limited number of services," said Lucie Paquet, senior benefits consultant for Hewitt Associates Inc. in Montreal.

The law was drafted last summer and passed last December in response to a 2005 ruling by Canada's Supreme Court in *Chaoulli vs. Quebec (Attorney General)* that Quebec's ban on private insurance for health care services already provided by the province is unconstitutional (*BI*, June 20, 2005).

QUEBEC'S HEALTH PLAN

Bill 33, which lawmakers in Quebec passed last December, allows a limited private health care and private insurance regime while preserving the publicly funded health care system by:

- **Allowing specified private medical facilities to perform hip and knee replacements and cataract surgery.**
- **Allowing insurers and sponsors of employee benefit plans to enter into insurance contracts to cover these specific services.**
- **Imposing fines on insurers and plan sponsors that provide insurance for services not covered by the legislation.**

Source: Quebec National Assembly

The Quebec government drafted Bill 33 to comply with the requirements of that ruling "in the most narrow way that it could have," said Megan Evans, a Toronto-based partner in the health law practice group of Cassels Brock & Blackwell L.L.P. "They're doing as much as they can to preserve the publicly funded system."

Employers have shown little if any interest in paying for private insurance for the three procedures and so far have faced little pressure from employees to do so, said Michele Boisvert, practice leader, group and health care for eastern Canada for Watson Wyatt Worldwide in Montreal. "Plan sponsors are not looking to take on any extra costs."

Indeed, the recent trend among Canadian employers has been to curtail benefits spending, as demonstrated by recent announcements that Toronto-based Sears Canada Inc. and Montreal-based Bell Canada Inc. will eventually eliminate retiree health care benefits, Ms. Paquet said (*BI*, Feb. 19).

"Employers are really being cautious about adding to that number and I think that's why they are reluctant to cover something that is already covered by the government," she said.

Plan sponsors interested in covering the services via private insurance need to ensure they perform accurate financial calculations of the potential costs that include the surgery itself as well as additional care the employee may need, Ms. Evans said.

A small number of plan sponsors have begun paying for private health care for employees on disability leave in an effort to reduce costs by more quickly returning injured employees to their jobs, Ms. Boisvert said.

None of Hewitt's clients has taken that step, but Ms. Paquet said she

See **QUEBEC** next page

Generali revamps in eastern Europe

By RICHARD MILLER

PRAGUE, Czech Republic—Italy's Assicurazioni Generali S.p.A. is reorganizing its central and eastern European operations through a joint venture with PPF Group N.V., which owns Ceska Pojistovna A.S., the largest life and nonlife insurance group in the Czech Republic.

The Prague, Czech Republic-based joint venture, announced last week, will unite all of Generali's and PPF Group's insurance assets in the central and eastern European region.

Previously, Generali's holdings in the region were managed by Generali Holding Vienna.

Fitch Ratings Ltd. in London said Friday that Generali's "relatively disparate eastern European operations would be enhanced by the inclusion of Ceska Pojistovna." Fitch affirmed Generali's insurer financial strength rating at AA.

Under the deal, Trieste, Italy-based Generali will pay PPF Group €1.1 billion ($1.5 billion) in cash for a 51% share of the joint venture.

PPF is a finance group incorporated in the Netherlands with headquarters in Prague.

In a joint statement, Generali and PPF said the joint venture will form the largest central and eastern European insurance group based on gross premiums written.

Based on pro-forma 2006 data, the joint venture's annual gross written premiums will be greater than €2.6 billion ($3.5 billion), with an embedded value of €2.3 billion ($3.1 billion) and more than 9 million customers in 12 countries.

The combined group will have operations in the Czech Republic, the Slovak Republic, Poland, Hungary, Romania, Bulgaria, Ukraine, Russia, Serbia, Slovenia, Croatia and Kazakhstan.

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Comings & Goings

BROKERS:

Chicago-based Aon Corp. has named **William M. Choate** executive vp in charge of the middle market and head of Aon Risk Services' Southern region in Charlotte, N.C. Previously, he was a managing director and senior vp at Wachovia Insurance Services.

Houston-based U.S. Risk Brokers has appointed **James C. Dalton** as senior broker. Previously, he was director, corporate liability for Seitlin.

Mr. Dalton

William Butler has joined Lockton Cos. L.L.C. as senior vp and producer in Atlanta. Most recently, he was managing director and the Southeast region leader for Aon Financial Services Group.

Also at Lockton, **Rodger Laurite** has been named senior vp and unit manager in Atlanta. Before joining Lockton, he was senior vp and team leader for Aon Financial Services Group.

West Point, Ga.-based J. Smith Lanier & Co. has named **Philip Saussy** senior vp and benefits practice leader. Before his promotion, he was a vp.

INSURERS:

Brighton, Mich.-based LifeSecure Insurance Co. has named **Graham Smith** director of sales and marketing. Before joining the long-term care insurer, he was director of marketing and product development at Care Choices.

Haier New York Life Insurance Co. Ltd., the Shanghai-based joint venture between New York Life Insurance Co. and China's Haier Group, has named **Xiaoxia Zhao** president and chief executive officer. Most recently, Mr. Zhao was director of the board and executive vp for AXA-Minmetals Assurance Co. Ltd.

Jeff Aycock has joined Liberty Mutual Insurance Co. as a senior account executive for the major accounts division in Tampa, Fla. Previously, he was vp of national claims for Unisource Administrators.

Joseph Lughes Jr. has joined Duluth, Ga.-based Maxum Specialty Insurance Group as president and chief operating officer of Maxum Indemnity Co. and Maxum Casualty Insurance Co. Mr. Lughes previously was president of Western Heritage Insurance Co.

New York-based NYMAGIC INC has appointed **Craig S. Lowenthal** as senior vp and chief information officer. Previously, he was a managing principal and CIO for Integro Ltd.

Beazley Group P.L.C. in Farmington, Conn., has named **Carmela O'Neal** senior underwriter for the Eastern region of the United States. Previously, she was assistant vp and manager for the property and machinery breakdown practice for Chubb Corp.

REINSURANCE:

New York-based Guy Carpenter & Co. L.L.C. has appointed **Julia Chu** managing director and casualty solutions architect in the firm's casualty specialty practice. Previously, she was a vp at Aon Re.

Willis Re has appointed **Doug May** as executive vp. Mr. May will manage Willis Re's new office in Seattle. Before joining Willis, he was a managing director at Guy Carpenter.

MANAGED CARE:

Ms. Westfall

Blue Care Network of Michigan has appointed **Laurie Westfall** chief operating officer Blue Care Network, the Southfield, Mich.-based HMO subsidiary of Blue Cross Blue Shield of Michigan. Previously, she was chief operations officer and local integrity officer for Care Choices.

Mr. Milewski

Detroit based Blue Cross Blue Shield of Michigan has appointed **Robert Milewski** as senior vp of contracting and hospital relations. He previously served as president and CEO of Mount Clemens Regional Medical Center.

OTHER PROVIDERS:

Chevy Chase, Md.-based Victor O. Schinnerer & Co. Inc. has named **Alexandra Littlejohn** executive vp, strategic business development leader. Previously, she was a managing principal at Integro Ltd.

UP CLOSE

Catherine D. Bennett

Ms. Bennett

NEW JOB TITLE: Vp, Hylant Group in Nashville, Tenn.

START DATE: April 2

PREVIOUS POSITION: President, Cost Control Concepts Inc.

REASON FOR THE CHANGE: I have really enjoyed managing my own business for the past 12 years, but Hylant offered me the opportunity to expand and extend my existing business capabilities. I will still utilize my marketing, communications and consulting skills, but with a sharper industry focus. I began my career in the brokerage business over 20 years ago. This new position puts me in the middle of an industry and among people that I respect and enjoy.

Also, it is very exciting to be on the front end of a newly established Nashville office. We have an accomplished management team with whom I have long-term relationships, and am thrilled to have been invited to be a part of this Nashville venture and the larger Hylant organization.

VITAL STATISTICS: MBA from Vanderbilt University's Owen Graduate School of Management, with concentrations in marketing and human resource management; BA from Vanderbilt with a major in economics and related work in communications.

I was president of Cost Control Concepts Inc.; vp of Johnson & Higgins; and consultant and account manager with Corroon & Black Corp.'s Advanced Risk Management Services division.

GOALS FOR NEW POSITION: I want to be viewed by the industry and recognized by my clients as a trusted business adviser. There are many opportunities to bring value to a client relationship beyond simply purchasing insurance. My business background is broad and touches many facets of operations, and I want to be able to apply this experience for the benefit of my clients.

FIRST TIME IN THE JOB MARKET: My first paycheck was as a sportswriter for a community newspaper, and my first industry position was as a financial analyst for Corroon & Black.

Top advice: Early on in my career, I was advised to write about risk management and insurance issues that were interesting and important to me. This led to a number of publications and speaking engagements. Writing certainly advanced my career, opened many doors and introduced me to many people in this industry.

OUTSIDE THE INDUSTRY, A DREAM JOB: I enjoy music of all types, and I believe I would enjoy being a jazz DJ.

TO SUBMIT ITEMS

Business Insurance **would like to report on senior-level changes at commercial insurance companies and service providers. Please send news of recently promoted, hired or appointed senior-level executives to: Joe Walker, *Business Insurance*, 360 N. Michigan Ave., Chicago, Ill. 60601-3806; *jwalker@businessinsurance.com*. Photos should be sent to: Kathy Barnes, 360 N. Michigan Ave., Chicago, Ill. 60601-3806; *kbarnes@businessinsurance.com*.**

Quebec: Insurers unlikely to develop new products

CONTINUED FROM PREVIOUS PAGE

expects some employers eventually will fund care for injured workers.

While the law allows developing private insurance to cover the services, insurers have shown little interest in offering coverage because the scope of procedures is so narrow and the coverage would have to include all costs related to the procedures, consultants say.

The insurers' "view is that there won't be a market for this type of insurance," Ms. Boisvert said. "Insurance companies are saying it's not going to be viable."

While some insurers may attempt to develop products to cover the procedures, the Canadian Life and Health Insurance Assn. does not believe that insurance companies could create profitable products because the scope of applicable procedures is limited, creating an anti-selection issue, a Montreal-based spokeswoman said. "It's not insurance," she said. "There's no risk."

Another consideration for insurers and plan sponsors offering private coverage is the threat of fines—$100,000 Canadian ($88,967) for the first violation and up to $200,000 Canadian ($177,936) for a second violation—for private insurance paying for procedures other than hip and knee replacements and cataract surgery.

"I don't think that's much of an issue because (employers are) not looking at covering these services," Ms. Paquet said. "If they are looking at covering more services, they have to be concerned about those fines."

The law allows adding other medical procedures to the list of treatments that could be covered by insurers with government approval, but this is a "more onerous" process than implementing regulations, Ms. Evans said.

The CLHIA believes more procedures will eventually be added to the list. "It's probably going to evolve, but it's not going to start tomorrow or next year," the spokeswoman said.

Bill 33 also requires health care facilities to provide statistical information to the government on wait times for health care procedures. By addressing the wait-time issue, the government aims to stem the need for private health care. "If they reduce waiting times for those services, there is no need to get insurance for those services after all," Ms. Boisvert said.

Mining: Limited capacity for underground exposures

CONTINUED FROM PREVIOUS PAGE

sustainable way," said Mr. Niemi, who is deputy chief executive officer of Boliden A.B., a mining and smelting company, based in Stockholm, Sweden.

"Poland is a good example where they are flooding Euromines with questions: 'How can we do this better?' Of course, in the background, they are thinking in financial terms, to make more money, but they also understand now that for them to be able to operate in the future they have to be thinking in a different way than they were thinking during the Soviet era."

It means reducing risk on all levels—operational risks, worker safety and environmental risks, Mr. Niemi said. While insuring some of these risks is possible, it is not always easy, experts said.

There is "limited capacity," especially for underground coal mines, and deductibles can be "very high," said Martin Galea, an executive director and deputy mine practice leader at Willis Group Holdings Ltd. in London.

The tightening market, which began in the mid-1990s, has since stabilized, but remains difficult in some areas, he said. Because of the tight capacity and premium cost, some mines self-insure, he added.

"There is insurance but it's selective; it's for the ones that are well risk managed," Mr. Galea said. "Mining is a complex area, and a lot of factors get involved, whether something is insurable or not," namely geology, risk management, and safety procedures.

Rates for underground coal mines can be as high as 1% of the total insured value.

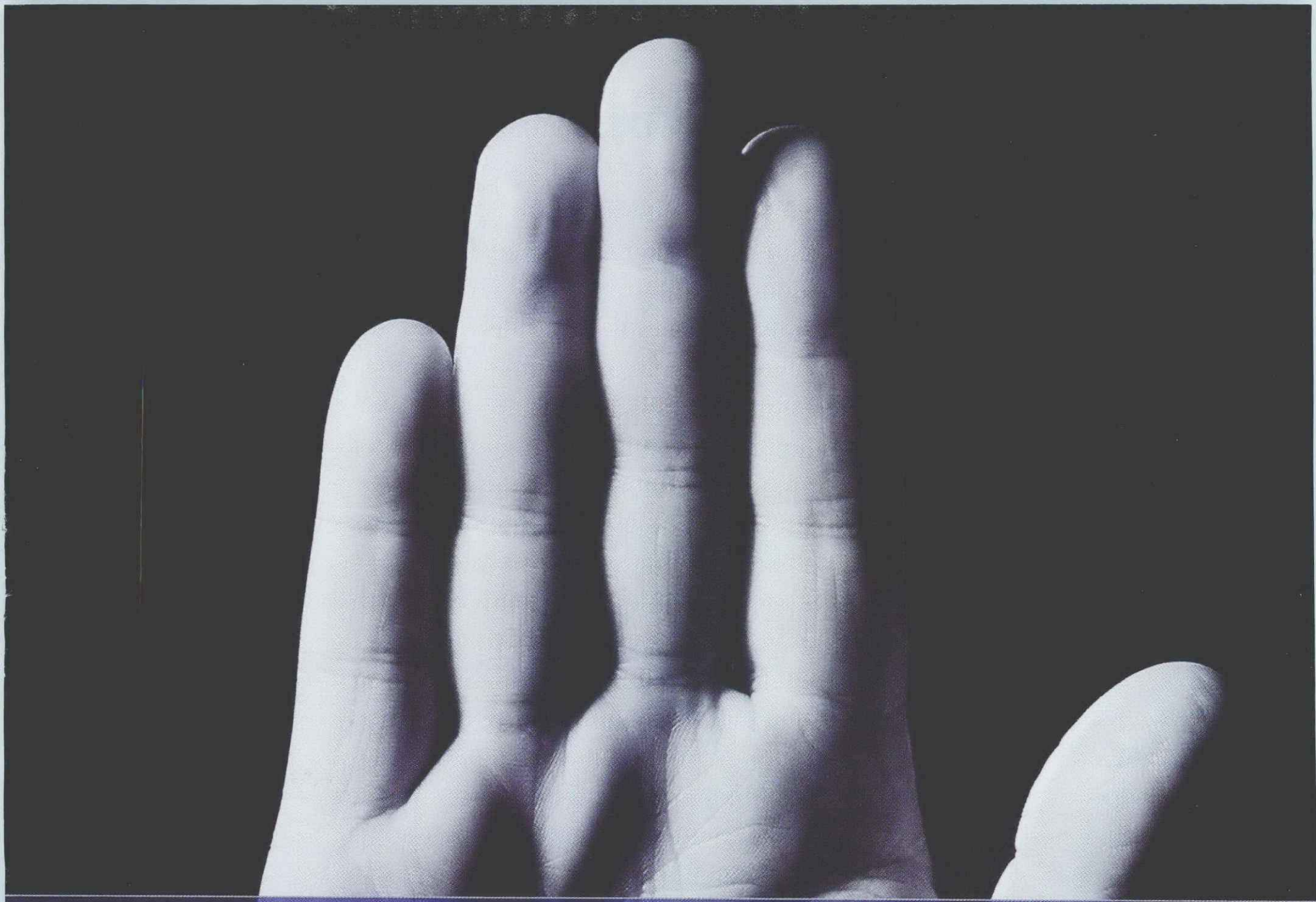
From a global perspective, "there is a reasonable appetite (from insurers) for mining accounts," said John Lambert, senior underwriting specialist at Zurich Global Energy in London, part of Zurich Financial Services.

That is due to the "relatively high premiums and good levels of technical information available." However, so-called "soft rock" exposure, meaning coal, is "currently being referred to the head office (for approval)."

By contrast, mines are typically not insured in Russia because of the rather low margins and high insurance costs. Information on whether the Ulyanovskaya mine was insured was not available.

"Mining business is considered to be a business of extremely high exposure," said Dennis Kuzalev, director of corporate insurance at OJSC ROSNO, the Moscow-based insurer that is majority-owned by Allianz S.E. "Therefore, the market is very careful...especially with regard to underground equipment."

According to Russian media accounts, a preliminary investigation found that mine managers were allegedly complicit in tampering with methane sensors in order to increase coal production. Evidence has been passed on to criminal prosecutors, the press reports added.



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Reduce the risk of bad hires

By JUDY GREENWALD

Background checks are useful to employers in helping them avoid hiring problem employees.

People often fabricate either educational or job experience on their applications, said Charles Mitchell, a partner in a Phoenix-based national staffing firm, All About People Inc. It also helps ascertain the character of the people whom you hire, he said.

"We've actually had a background check within the last couple of years where a person had been convicted of murder," said Mr. Mitchell. "We've had situations where people had been convicted of very gross offenses, such as child rape" and sexual assault, he said.

"It really sickens you when you come across those types of instances, and you're really shocked and surprised because maybe you spent time with the person in the interview process, and people are impressed and wham—you get this information."

In one case, he said, shortly before one applicant was to begin work at a bank, a background check uncovered several convictions for embezzlement that had not been revealed in his application. "You would suspect since they weren't truthful they probably would have gone back...and repeated that criminal behavior," said Mr. Mitchell. "It's an indication that background checks do work."

Kim Kerr, who is now vp of background screening solutions at Boca Raton, Fla.-based LexisNexis Risk Information Analytics Group, said while he was at a previous job for a large organization, "We were hiring an individual that was going to be involved with training and working with many small children in a production of sorts." A background check, though, revealed he had a history of arrests for pedophile-related crimes.

Courtney Larsen, human resources director at Phoenix-based Take Charge America Inc., a credit counseling agency, said in one case, an applicant with a common name filled out the paperwork prior to his background check with a Social Security number that checked out OK.

But after he was hired, he subsequently put down a different Social Security number—his real one. Fortunately, this was discovered. As it turned out, "He had a pretty unsavory past, and we terminated him immediately," said Ms. Larsen.

That incident "caused us to make changes in our process," said Ms. Larsen. Now, "We're just much more careful in double-checking all those numbers in advance."

Screenings: Violations a risk for

CONTINUED FROM PAGE 4

background check, said Kevin Klimas, president of Phoenix-based Clarifacts Inc., an employment screening firm. "They're going to have data showing they've done their due diligence."

Despite its somewhat misleading name, the federal Fair Credit Reporting Act, as well as parallel state laws, applies when employers conduct background checks through third parties. Under provisions of these laws, employers must notify applicants that a background check may be performed and obtain their written consent.

Furthermore, the applicant must be given an opportunity to respond if the background check reveals adverse information about the applicant that could lead to the withdrawal of a job offer. FCRA provisions also affect the disposal of background check information.

"We see a lot of issues arising on how to comply with the Fair Credit Reporting Act, and there are probably a number of employers out there who are still unaware that when they are paying a third-party service provider to do criminal background checks, they fall under the auspices of the FCRA," said John F. Lomax Jr., an employer attorney with Greenberg Traurig L.L.P. in Phoenix.

Employers also must be concerned about Equal Employment Opportunity Commission regulations, which provide that obtaining criminal records inconsistently, whether based on the race, color, religion, national origin or sex of the applicant, is unlawful under Title VII of the Civil Rights Act of 1964. For example, doing background checks only on Muslims is a violation of the law.

Generally, the factors that must be considered in making hiring decisions in cases where there is an arrest or conviction include the nature and gravity of the offense, the time since the conviction and/or completion of the sentence, and the nature of the job held or sought, according to the EEOC.

"If you're going to (reject an applicant), it has to be reasoned through and justified," said Carol Miaskoff, EEOC assistant legal counsel in Washington.

'Don't automatically exclude someone from being employed just because they're a convicted criminal, unless it makes sense.'

Craig R. Annunziata, Fisher & Phillips L.L.P.

An employer may be willing to hire an office worker with a driving while intoxicated conviction, but not if the applicant is seeking a job as delivery service driver, said Mr. Annunziata.

"I always say to my clients, 'Don't automatically exclude someone from being employed just because they're a convicted criminal, unless it makes sense,'" said Mr. Annunziata.

"You don't want to exclude any group from going through the process, and you want standards that are applied consistently across the board," said Jenifer DeLoach, Nashville, Tenn.-based senior vp with risk consulting firm Kroll Inc., a subsidiary of Marsh & McLennan Cos. Inc.

Observers note, however, that employers still retain the right to reject or fire anyone who makes a false statement on a job application.

Privacy is a related issue. "There's definitely a fine line between making sure that you've done a proper background check" and invading privacy, said Mr. Klimas. "If you're screening an employee properly, then you're not going after information that is not public record," such as personal medical histories, he said.

"You're simply seeing what is available publicly," which could include criminal and driving records, said Mr. Klimas.

Furthermore, once the background check is complete, disclosing it within the firm should be only on a "need to know" basis, said Kim Kerr, vp of background screening solutions at the Boca Raton, Fla.-based LexisNexis Risk & Information Analytics Group.

"We recommend a team approach" to disclosing the information only to representatives from human resources, security, the legal department and line managers, he said. "You really need to go through the matrix of risk associated with that information and make sure everyone" in these areas agrees "this is a good hire," said Mr. Kerr.

California: Universal health care reform faces obstacles

CONTINUED FROM PAGE 3

Two factors may be the reason for that lack of opposition, Mr. Bodaken said: The burden of funding coverage would be shared and the benefits will, to some extent, offset the costs.

For example, while health care providers would face new assessments, the state would significantly boost reimbursement rates for Medi-Cal providers.

Additionally, while employers may be philosophically opposed to being forced by the government to offer health insurance or pay a new assessment, they stand to reap big savings on health care premiums if the proposal is enacted. That is because providers, which would benefit from major reductions in uncompensated and undercompensated care, no longer would be under the same financial pressure to inflate charges for patients with employer-provided coverage.

While there isn't a consensus on how much provider cost-shifting now inflates insured patients' charges, "Whatever it is, it is a big number," Mr. Bodaken said.

At the same time, while the California governor's proposal would require health insurers to spend 85% of premiums they receive on patient care, universal coverage would expand the health insurance market.

While Mr. Bodaken is optimistic about passage, he noted significant obstacles must be overcome. While the GOP governor's proposal is certain to win strong support from Democratic lawmakers, gaining votes from members of his own party—many of whom oppose an employer mandate—will be challenging.

And if pieces of the proposal are picked off, the package probably would not survive as different interest groups could feel they would bear too much of the cost of expanding coverage rather than the responsibility being evenly shared, he said.

As a practical matter, health care reform legislation is unlikely to be considered before the legislature approves a state budget, which is expected in early July.

"At that point, the real work will begin," Mr. Bodaken said.

Meanwhile, in Massachusetts, state regulators are implementing a 2006 law to move the state closer to universal coverage.

Already, 70,000 low-income uninsured individuals—out of an eligible pool of 140,000—have signed up for health insurance plans that have state-subsidized premiums.

"We are ahead of schedule," said Jon Kingsdale, executive director of the Health Insurance Connector Authority, an independent state agency charged with implementing key parts of the law.

The coverage expansion is making a difference in the lives of state residents, said Mr. Kingsdale, citing several examples of previously uninsured residents who are seeing doctors and getting necessary medications on a regular basis for the first time in years.

"These are real people who have gotten help," said Mr. Kingsdale.

Enrollment in another program established by the 2006 law—one in which small employers and individuals can buy plans offered by commercial insurers through the Connector Authority—starts next week and will offer, in some cases, dramatic premium savings.

For example, one health plan offered through the Connector carries a $2,000 deductible at a cost of about $175 a month. By contrast, the monthly premium for a plan requiring much more cost sharing and currently offered in the individual market is $335.

"Already, we are making health insurance a lot more affordable," he said.

WHCC event draws 1,600

WASHINGTON—About 1,600 people attended the fourth annual World Health Care Congress held April 22-24 in Washington.

Topics discussed included health care reform legislation, the experience of consumer-driven health plans in controlling costs and improvements in health care information technology.

Information on the fifth annual World Health Care Congress, to be held April 21-23, 2008, in Washington, is available at *www.whcc2008.com* or by calling 800-817-8601.

—By Jerry Geisel

Fees: Rules, laws and lawsuits expected

CONTINUED FROM PAGE 1

together," she said.

Aside from the GAO and Labor Department, the issue has attracted the attention of the Securities and Exchange Commission, Congress and the plaintiffs' bar.

The Labor Department last week published a "request for information" in the Federal Register seeking input on how to improve information provided to 401(k) participants about the administrative fees and expenses charged to their plans.

The RFI asks respondents to address what administrative expense and fee information they want, how it should be provided and who should provide it.

The RFI said the responses will be used to help the Labor Department determine the extent to which rules should be developed or modified, "recognizing that in many instances participants may have to bear the cost of disclosing such information."

The Labor Department already has two other initiatives under way.

Last July, the department published proposed changes to the Internal Revenue Service Form 5500 annual report submitted by employers. The revisions are intended to improve transparency of plan-related fees and expenses.

The revised Form 5500 report "in itself will dispel a lot of the concern about fees," said David Wray, president of the Profit Sharing/401(k) Council of America in Chicago. "At that point, a lot of this will go away."

Furthermore, the department plans to seek a regulation that would require service providers to disclose direct and indirect compensation, fee and other financial arrangements to plan fiduciaries.

ADVICE FOR PLAN SPONSORS

- Investigate the fees being charged by your service providers.
- See how they compare with those charged by others in the market.
- Conduct periodic reviews of your plan's fee structures.
- Communicate fees paid by the plan clearly to plan participants.

In addition, Securities and Exchange Commissioner Christopher Cox said in a speech this month that the SEC is examining the adequacy of investor disclosure by mutual funds and other investment vehicles in 401(k) plans.

On the congressional front, Rep. George Miller, D-Calif., has held one hearing on 401(k) fees and is considering holding another hearing, a spokesman said.

"Mr. Miller has indicated that he probably will propose legislation, but I don't think that's going to be done very quickly because I understand he wants to have a couple more hearings," Ms. Jacobson said. "We would really prefer to see what the DOL comes out with on their proposals before going the legislative route," but it is likely both will happen at the same time.

On the litigation front, lawsuits have been filed alleging that major plan sponsors inadequately monitored or allowed excessive 401(k) plan fees. More litigation is expected, say observers (see story).

The issue "deserves more scrutiny, but that doesn't mean there's some scandal here because there's not," Mr. Wray said.

Anne Waidmann, manager at PricewaterhouseCoopers' Human Resource Services in Washington, characterized the issue as a "tempest in a teapot. While plan sponsors want the best for their employees, it does not "make a whole lot of difference to employees."

"You know how much disclosure you get about everything, and does it make a big difference?" Ms. Waidmann asked. "It's a market-based system, so you're going to pay the fees that everyone else is charging for similar things."

She said a concern is that publicity over the fees issue will leave workers less inclined to participate in their companies' 401(k) plans, "which would be unfortunate."

Ultimately, said Alan Vorchheimer, a principal with Buck Consultants L.L.C. in New York, all the scrutiny will result in changes.

"There's going to be a lot more disclosure" that will be voluntary by plan providers and sponsors and mandatory by government agencies, Mr. Vorchheimer said. "We're already seeing changes and I think we're going to be seeing more."

Lawsuits target fee disclosure, monitoring

A slew of lawsuits accusing major plan sponsors of inadequately monitoring and disclosing 401(k) plan fees and permitting excessive fees have been filed and more are expected, observers say.

A prominent law firm active in the area, Schlichter, Bogard & Denton in St. Louis, has already filed 13 lawsuits, said attorney Jerome Schlichter.

"They're all pending and we're in the process of pursuing them to trial," Mr. Schlichter said. He said he does not expect any regulatory or legislative action to have an impact on the litigation.

Robyn Credico, a senior consultant with Watson Wyatt Worldwide in Arlington, Va., said the good aspect of the litigation is that it is "making many plan sponsors look at the fees when they hadn't in the past, and identifying the reasonableness of the fees."

However, she added, "The lawsuits aren't necessarily focusing on all the right things, because they kind of ignore" the quality of the funds and of the record-keeping.

Gregory L. Ash, a benefits attorney with Spencer Fane Britt & Browne in Overland Park, Kan., said, "I think the potential impact (of the litigation) is greater for small to medium-sized employers and their plans than with the really large plans that have been targeted."

Large employers "have already got the kind of in-house and external expertise that they need to kind of be on top of these issues," Mr. Ash said. "There hasn't been as much attention" paid to these issues at the small and midsize firms and they may have potential exposure, he said.

Firms named as defendants in the Schlichter, Bogard lawsuits are: Norwalk, Conn.-based ABB Inc.; San Francisco-based Bechtel Corp.; Chicago-based Boeing Co.; Peoria, Ill.-based Caterpillar Inc.; Philadelphia-based CIGNA Corp.; Moline, Ill.-based Deere & Co.; Chicago-based Exelon Corp.; Falls Church, Va.-based General Dynamics Corp.; Memphis, Tenn.-based International Paper Co.; Northfield, Ill.-based Kraft Foods Inc.; Bethesda, Md.-based Lockheed Martin Corp.; Los Angeles-based Northrop Grumman Corp. and Hartford, Conn.-based United Technologies Corp.

Boston-based Fidelity Investments, a service provider, also was named as a defendant in the Deere suit, Mr. Schlichter said.

—By Judy Greenwald

How to avoid 401(k) liability

Employers can take action now to avoid liability in the future concerning monitoring and disclosure of fees associated with their 401(k) plans, observers say.

Experts say they expect changes in reporting rules given the increasing scrutiny the issue is receiving from regulators, legislators and the plaintiffs' bar. Experts advise employers to determine the fees and expenses charged to 401(k) plans, compare them to others in the market and periodically review their plans' fee structure.

"I don't think this is an issue that's going to go away," said Gregory L. Ash, a benefits attorney with Spencer Fane Britt & Browne in Overland Park, Kan. "It's got too much traction already. Things are going to change, and it's always better to be ahead of the change curve rather than behind it."

Do not wait, advised Michael Weddell, a principal in Mercer Human Resource Consulting's Detroit office. "Even though the rules are in flux, it makes a lot of sense for plan sponsors and other fiduciaries to actively measure and benchmark their fees today, and not wait around for new rules."

David Wray, president of the Profit Sharing/401(k) Council of America in Chicago, said plan sponsors "need to know what their fees are and how their fees are determined, and they need to have gone through some process which permits them to evaluate" if the fees are reasonable. "Then they need to have that documentation in writing."

Mr. Wray said such reviews should be done periodically.

Robert Liberto, senior vp with Segal Advisors in New York, said plan sponsors go through the due diligence process initially, but may fail to renegotiate a better deal despite increased plan assets in later years that could entitle them to a fee reduction.

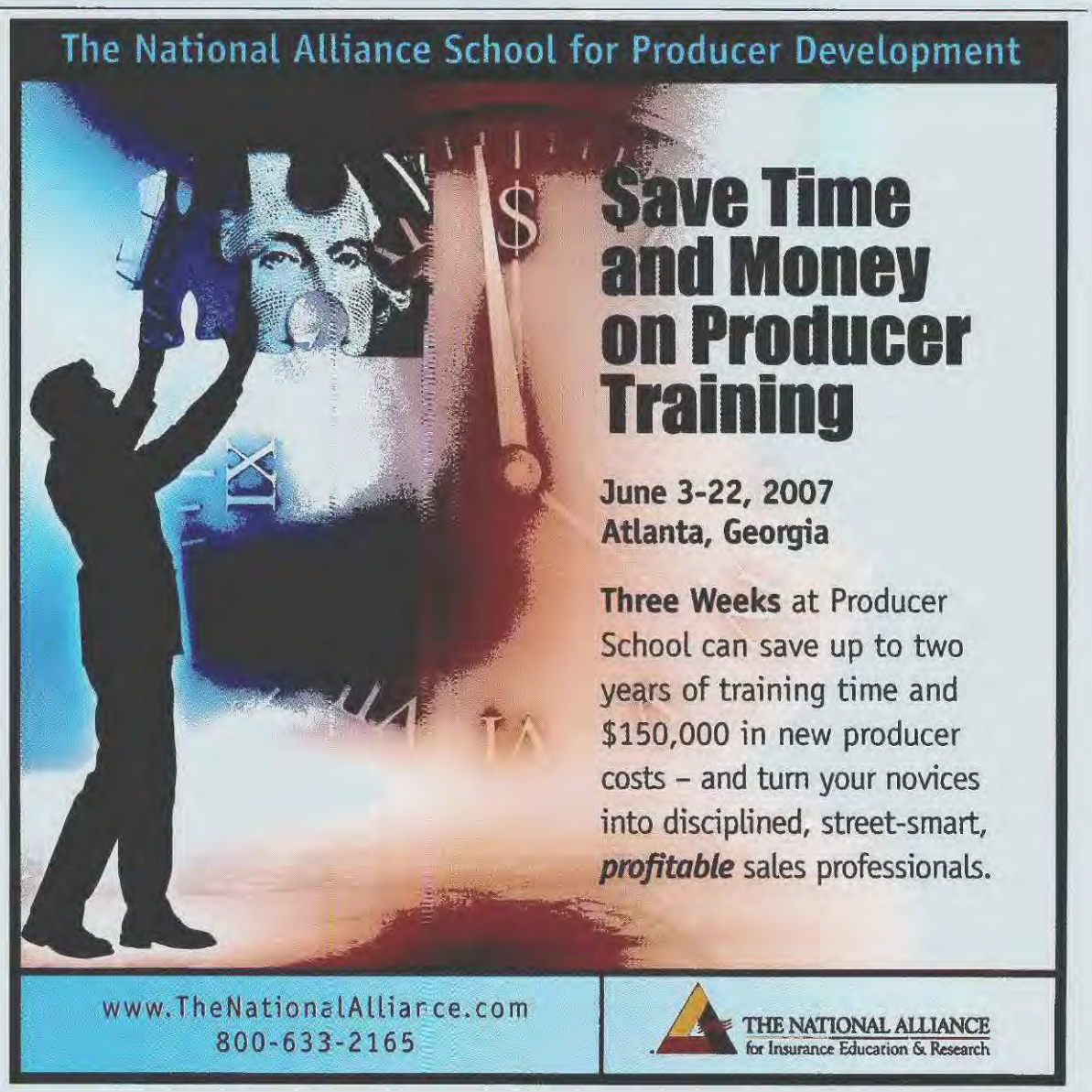
Plan sponsors should review administrative fees and expenses annually "to make sure they're in line" with what others are paying for similar services, said Mr. Liberto.

Terri W. Vaughan, vp and practice leader for the defined contribution practice in Aon Consulting's Winston-Salem, N.C., office, agreed. "The market changes," she said. In a year, a plan "may be in a position to command better service for the same price, or a lower price for what they're paying today."

Employee communication is also critical, say observers.

Ms. Vaughan said she is already "seeing more and more employers making that information easier to understand, (and) asking their vendors to make it easier to understand."

—By Judy Greenwald



Willis: Brokerage says no to new supplemental compensation plans

CONTINUED FROM PAGE 1

you're getting paid to do something that rewards you for doing more business with a carrier. The reward...should ultimately come from the client," Mr. Plumeri said.

While Willis said it fully expects to be compensated for the work that it does and the value it provides, the new incentive arrangements "are best housed in an agency relationship."

Willis is the first U.S. brokerage to formally announce it will not accept the supplemental arrangements.

'When I look at supplemental compensation...in my opinion, it's the same as a contingent.'

Joe Plumeri,
Willis Group Holdings Ltd.

The world's four largest brokers agreed to give up more than $1 billion in contingent commissions and pay more than $1 billion in client restitution in 2005 to settle charges that they steered client business to insurers paying the highest contingent commissions. Several insurers also agreed to either abandon or limit the use of contingent commissions.

In December, Chubb and Travelers introduced new supplemental commissions that, unlike contingents that are paid after brokers reach certain volume or profit thresholds, provide brokers fixed compensation based on the broker's prior performance with insurers (*BI*, Jan. 8).

Although neither Chubb nor Travelers has outlined in detail their commission formulas, saying they are proprietary, state attorneys general have reviewed both programs and determined they fall outside the definition of contingent commissions.

Risk managers, however, have raised some concerns, saying any performance-based compensation arrangements between brokers and insurers present an inherent conflict of interest for risk managers (*BI*, March 12).

J. Patrick Gallagher, president and CEO of Arthur J. Gallagher & Co., for one, said last month that the Itasca, Ill.-based brokerage has embraced and negotiated supplemental commissions with numerous insurers over the past year and the fully disclosed arrangements have not caused any problems with clients.

"All conflict of interest is waived through disclosure, in my opinion," Mr. Gallagher said.

At that time, both New York-based Marsh Inc. and Chicago-based Aon Corp. said they were still reviewing the structure of the proposed supplemental commissions.

ADVERTISER INDEX

Issue of April 30

ADVERTISER	PAGE #
ACE Group	19
Acordia	71
AIG Corporate	23, 47
AIX Group	52
Allied North America	18
Allied World Assurance Co.	44
American Institute for CPCU	48
Aon Corporation	Cover 2
Aon eSolutions	75
Aon Specialty Product Network	32
Arch Insurance	41
Assurex Global	38
Bank of Bermuda	22
Beazley	65
Beecher Carlson	25
Benfield	39
Brownyard Programs	76
Burnham System	76
Business Insurance 9, 33, 39, 79, Cover 3	
Cambridge Integrated Services Group, Inc.	62
Carvill	83
Catlin	45
Chubb Group	21
CNA Corp.	2
C.V. Starr	42/43
Dempsey, Myers & Co., LLP	33
Dickstein, Shapiro, Morin & Oshinsky LLP	6
Discover Re	16
Edwards Angell Palmer & Dodge LLP	66
FARA Insurance Services	64
Firemans Fund	31
FM Global	14
Arthur J. Gallagher & Co.	59
General Electric	61
GENEX Services, Inc.	60
Guy Carpenter	13
Infotech Consulting Services	76
Inwald Consulting Services	76
Lexington Insurance	54/55
Liberty International Underwriters	63
Liberty Mutual	35
Marsh	Cover 4
Max Re	50
Meadowbrook Insurance Group	58A
Milliman	51
Munich Re America	69
National Alliance for Insurance Education & Research	64, 81
Navigant Consulting, Inc.	58
Old Republic Risk Management	28/29
RK Harrison	12
RLI Corporation	57
Saxe, Doernberger & Vita	26
Scottsdale Insurance	44
Sedgwick Claims Management Services	17
Specialty Risk Services LLC	34
Spencer Educational Foundation, Inc.	70
St. Paul Travelers	24
Swett & Crawford	46
Swiss Re	37
Unum Group	49
Wausau Insurance Companies	5
Westrope	40
Willis	27
XL Insurance	7
York Claims Services, Inc.	48
Zurich North America	15

TRIA: Expanding scope of RRGs faces uphill battle

CONTINUED FROM PAGE 1

solely on terrorism insurance and be free of unrelated insurance reforms.

Rep. Kanjorski added that he views dealing with the issue of risk retention group reform with "considerable skepticism" in the context of extending the terrorism insurance backstop.

The Risk Retention Act was passed in 1981 to allow the formation of RRGs to cover product liability risks and was amended during the liability crisis in the mid-1980s to let RRGs cover all other liability risks, except workers compensation.

Some members of the panel, though, did seem amenable to amending the Risk Retention Act to allow RRGs to provide property cover as a means of bolstering the terrorism insurance market.

The subcommittee's ranking minority member—Rep. Deborah Pryce, R-Ohio—was particularly supportive of the idea.

"Expansion of the Risk Retention Act" would put the private insurance marketplace in a better position to assume more terrorism risk, she said. Doing so would be an "important step in insuring that the market will be able" eventually bear terrorism risk without a federal backstop, she said.

LANDOV

'Expansion of the Risk Retention Act' would put the private insurance marketplace in a better position to assume more terrorism risk.

Rep. Deborah Pryce,
R-Ohio

"Providing adequate capacity for terrorism risk will require many different solutions," said Janice Abraham, president and chief executive officer of United Educators Insurance, an RRG in Chevy Chase, Md., during an interview after the hearing during which she had testified.

"We want additional capacity and RRGs can be part of adding additional capacity. Currently we're doing this with liability insurance, however the need for property insurance capacity in the terrorism context remains high," said Ms. Abraham, who is a former officer of the Minneapolis-based National Risk Retention Assn.

"I think they truly are looking for public-private partnerships," she said of the panel. "I think that speaks in a nonpartisan way to having business and nonprofits work together to help themselves in solving one of the most difficult problems in the risk transfer market."

"I think that allowing property insurance to be sold by RRGs" would help create terrorism capacity, said Lawrence Mirel, lead counsel to the American Risk Retention Coalition. "But it's not the full answer because not everybody who needs property insurance will be able to be part of a risk retention group," said Mr. Mirel, who is a partner in the Washington law firm Wiley Rein L.L.P.

In addition to being leery of expanding the scope of RRGs, Rep. Kanjorski also said that lawmakers should resist the temptation to include reform of surplus lines insurance in the terrorism insurance debate, and that any extension of the program should be neither permanent nor "semi-permanent," suggesting that a six- to eight-year extension would be desirable.

That timeframe would put him on collision course with many other members of the subcommittee, who used the hearing to call for extensions ranging up to 20 years if the program is not made permanent.

Rep. Gary Ackerman, D-N.Y., for example, said that the program should run for at least another 15 to 20 years to meet long-term insurance needs of the construction industry.

"Uncertainty is the enemy we're fighting," said Rep. Ackerman.

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Groups squabble over insurance backstop trigger

WASHINGTON—The insurance industry remains united in its desire to extend the federal terrorism insurance backstop despite an internal spat over a set of "common principles" drafted by an insurer group and a policyholder organization, say industry insiders.

At issue is a document released last week by the Coalition to Insure Against Terrorism and the American Insurance Assn.

Two other insurer groups—the Property Casualty Insurers Assn. of America and the National Assn. of Mutual Insurance Cos.—sent a letter criticizing the proposal to AIA President Marc Racicot, holding that the plan would harm smaller insurers because of the size of the loss required to trigger access to the federal backstop.

The insurer groups also criticized the proposal for raising the possibility that insurers could be required to cover some nuclear, chemical, biological and radiological losses caused by terrorist attacks.

The CIAT and AIA proposal supports a trigger no higher than the current $100 million, while the PCI and NAMIC support a lower trigger no higher than $50 million—if that high.

The CIAT/AIA proposal "didn't reflect with what we thought was industry consensus, specifically we were most concerned about the trigger," said Ben McKay, senior vp in PCI's Washington office. "We had agreed internally that we would ask for a lower trigger because data shows that an increasing trigger serves only to exclude smaller companies from accessing the backstop."

Other industry observers downplayed the seriousness of the disagreement, regretting that it had become public.

"We are working together and AIA is doing what is consistent with the guidance of our board of directors and expects to continue to work with the industry," said Leigh Ann Pusey, AIA chief operating officer.

"It's definitely a minor disagreement," said Jimi Grande, vp in NAMIC's Washington office. "I look at the insurance industry as a broader family. I think this was an internal family discussion that found its way into the public domain, which is unfortunate. We don't think this is threatening at all to industry unity."

"Since this debate began in the immediate aftermath of Sept. 11, (2001,) there have been honest disputes among insurers over how Congress should devise the best program," said Joel Wood, senior vp at the Council of Insurance Agents & Brokers in Washington, which is not a party to the dispute.

"Where you stand depends much on where you sit—both in the marketplace, and with your own balance sheet. A vigorous debate on these subjects isn't a bad thing, and I remain optimistic that congressional leaders on both sides of the aisle and both sides of the Capitol will reach a good conclusion," Mr. Wood said.

—By Mark A. Hofmann

News In Brief

CONTINUED FROM PAGE 1

Management, an asset management company with an inaugural fund to invest in an array of insurance risk securitization markets. The Bermuda-based fund, Pentelia Ltd., which has closed with capital commitments of about $600 million, has created a new Bermuda reinsurer, Pentelia Re.

PCI urges comp reform in South Carolina

The Property Casualty Insurers Assn. of America has called for reforms to South Carolina's workers compensation system following the National Council on Compensation Insurance Inc.'s recommendation for a 23.7% loss cost increase, following an 18.4% increase last year. PCI said that the need for continued rate increases are evidence that South Carolina lawmakers need to repeal the state's Second Injury Fund, reduce litigation, combat fraud and make benefit award amounts more consistent in the state.

Washington passes paid family leave bill

Washington State Gov. Christine Gregoire is expected to sign legislation requiring employers to offer employees up to five weeks of paid leave after the birth or adoption of a child. Effective Oct. 1, 2009, employees becoming new parents would be entitled to receive up to $250 a week for up to five weeks. The bill does not specify benefit funding.

Former HIH head to stand trial

The former chairman of HIH Insurance Ltd. was committed to stand trial on criminal charges for his role in the collapse of the company. Geoffrey Cohen faces charges of giving misleading information in his address to shareholders at the HIH annual general meeting on Dec. 15, 2000. HIH became Australia's largest ever corporate collapse when it failed in 2001. Several other officers have been jailed for their role in the collapse.

Genetic bias bill passed by House

The House of Representatives approved legislation that would make it illegal for employers and health insurers to deny coverage or charge enrollees higher premiums based solely on a genetic predisposition to a specific disease. The Genetic Information Non-Discrimination Act–H.R. 493–also would bar employers from using individuals' genetic information in hiring, firing, job placement or promotion decisions.

Cat losses drop in 2007 first quarter

Catastrophes caused an estimated $1.22 billion in insured property damage in the United States during 2007's first quarter, the Insurance Services Office Inc.'s Property Claim Services unit said, down from $1.48 billion registered in the same period in 2006. PCS estimated that winter storms and other severe weather generated nearly 204,000 claims in 18 states during the period.

Survey: Strategic approach

CONTINUED FROM PAGE 3

builds on past years' efforts and is unique in identifying where the risk management profession is headed, said Jackie Hair, a RIMS board director.

The study is "a large effort made to really capture the essence of the risk management profession and what it is that makes it a profession and where it's going," said Ms. Hair, who also is corporate director of risk management for Ingram Micro Inc. in Santa Ana, Calif.

The survey shows a move toward strategic risk management and a broader view of risk. In 2006, 4% of respondents said they had fully implemented ERM programs. In this year's study, that grew to 10%. Thirty-five percent said they are in the process of implementing ERM programs, 24% said they are planning to do so; 31% said they have no plans to implement ERM.

The more strategic a corporation is about risk management the more likely it is to be implementing ERM, said Pam Rogers, senior vp and managing consultant in Minneapolis for Marsh.

The survey findings, which will be presented during a session at this week's RIMS conference in New Orleans, also show a minority of companies treat risk as an opportunity, Ms. Rogers said.

Just one-third of company senior managers now look for ways to use risks to their entity's advantage, the survey concludes.

But there are examples of companies turning risk into opportunity, according to information to be presented at the RIMS conference. For example, a university with 1,500 olive trees now presses the olives into an award winning product, the study notes. In the past, the trees were viewed only as a slip-and-fall risk given that their leaves are slippery when shed.

Given the expectation that rating agencies will increase their scrutiny of ERM efforts, Ms. Rogers said, a strategic approach may present greater opportunities in the future.

Yet just 25% of risk managers and top-level executives agreed that they could pass the "rating agencies' risk challenge." On one of the questions, just 35% of respondents said senior management knows how much it is willing to lose from all sources of risk to achieve long-term financial objectives.

The findings reveal "a clear opportunity for risk managers to see how they can truly bring value to the bottom line of the company," Ms. Rogers said. Risk managers who help improve a rating agency's view of a given company could add to its profit by lowering their company's cost of capital—a departure from the past when risk managers mostly worked to reduce risk expense, she said.

It's not clear that rating agencies will increase their focus on corporations beyond the financial reporting already required, Ms. Hair said.

Other study findings showed somewhat surprising agreement among top executives and risk managers in their view of whether senior management looks for opportunities to use risk to a competitive advantage as well as their ranking of risks such as brands and regulatory compliance.

Ad sales staff expands at *Business Insurance*

Business Insurance has added to its advertising sales staff, as Russell J. Carpel and Todd D. Lockwood have joined the magazine as regional sales managers.

Responsibilities for Mr. Carpel, who is based in Chicago, and Mr. Lockwood, based in New York, will include prospecting and closing new business, and servicing and expanding business relationships with current advertisers in print, online and events.

Before joining *BI*, Mr. Carpel was director of new business development at Robert Brandt & Associates, an advertising agency in Chicago. Previously, he was business development manager for Cygnet Midwest, a boutique ad agency in Naperville, Ill., and was an account executive for CBS Radio in Chicago.

Mr. Carpel

He has a bachelor's degree in public relations and marketing from Bradley University in Peoria, Ill. He is pursuing a master's in sports marketing and public relations at Northwestern University in Evanston, Ill.

Mr. Carpel can be reached by phone at 312-649-5288 and at *rcarpel@businessinsurance.com*.

Mr. Lockwood will be responsible for accounts in the Southeastern United States. Previously, he was an account manager covering the Midwest and West Coast for Risk Management magazine, published by the Risk & Insurance Management Society Inc. He established the online sales strategy for the magazine as well as performing his regular duties of procuring new print business and servicing existing accounts.

Before that, Mr. Lockwood was an inside account executive on the recruitment advertising team for The New York Times. He also handled national accounts for Westwood One Radio Networks and was a media planner at ad agency Biederman, Kelly & Shaffer Inc.

Mr. Lockwood

He has a bachelor's degree in marketing communications from Montclair State University in Montclair, N.J.

Mr. Lockwood can be reached at 212-210-0757 and at *tlockwood@businessinsurance.com*.

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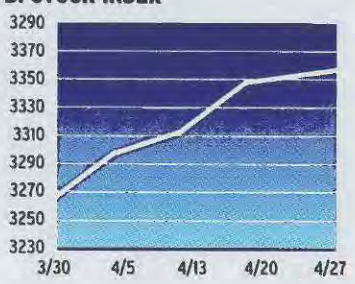
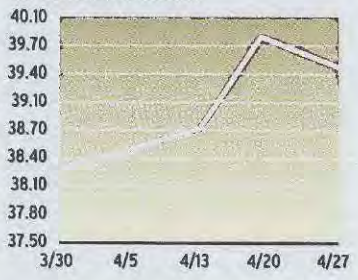
BI STOCK INDEX



BI BROKERS INDEX



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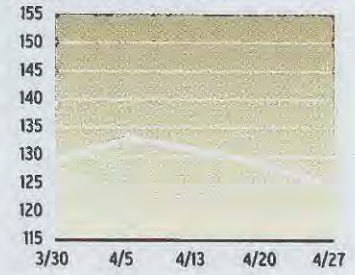
BI MANAGED CARE ORGANIZATIONS INDEX



Percentage change of BI *Stock Index vs. key indicators*

BI STOCK INDEX	3352.12	▲ 0.27%
DOW JONES	13120.94	▲ 1.23%
S&P 500	1494.07	▲ 0.65%

LARGEST GAINS

XL Capital Ltd.	6.98%
IPC Holdings Ltd.	5.39%
Axis Capital Holdings Ltd.	4.92%
Aetna Inc.	4.90%
PartnerRe Ltd.	4.64%

LARGEST LOSSES

Hilb Rogal & Hobbs Co.	-12.47%
Brown & Brown Inc.	-8.54%
Tower Group Inc.	-5.61%
CNA Surety Corp.	-5.31%
Arthur J. Gallagher & Co.	-4.73%

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

Business Insurance END PAGE

Contributing: Roberto Ceniceros, Gloria Gonzalez, Mark A. Hofmann, Rupal Parekh

'I'm the governor of New York' wins ex-Idol Sanjaya's autograph

Several industry executives are well acquainted with the persuasiveness of Eliot Spitzer, and now, so is an "American Idol" sensation.

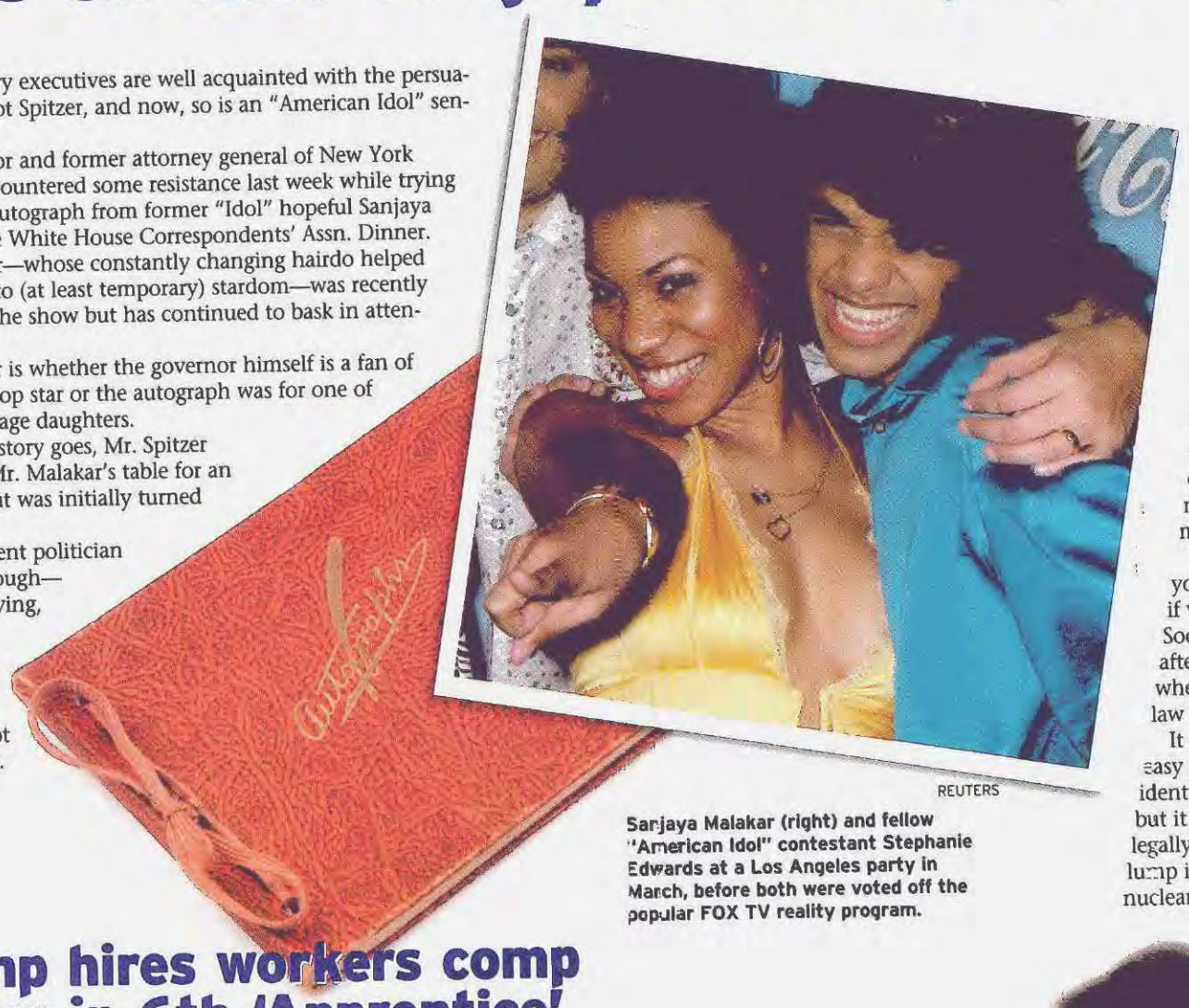
The governor and former attorney general of New York reportedly encountered some resistance last week while trying to obtain an autograph from former "Idol" hopeful Sanjaya Malakar at the White House Correspondents' Assn. Dinner.

Mr. Malakar—whose constantly changing hairdo helped catapult him to (at least temporary) stardom—was recently booted from the show but has continued to bask in attention.

Still unclear is whether the governor himself is a fan of the aspiring pop star or the autograph was for one of his three teenage daughters.

But, as the story goes, Mr. Spitzer approached Mr. Malakar's table for an autograph, but was initially turned away.

The persistent politician protested, though—reportedly saying, "but I'm the governor of New York"—and eventually got the signature.



REUTERS

Sanjaya Malakar (right) and fellow "American Idol" contestant Stephanie Edwards at a Los Angeles party in March, before both were voted off the popular FOX TV reality program.

In Oklahoma, no hazards in cow pies

Manure has been called many a name, some of which we can't print here, but there are a couple of descriptions that you can't call it in Oklahoma—"hazardous substance or hazardous waste."

That's because Oklahoma lawmakers recently approved, and Gov. Brad Henry a few days ago signed into law, a bipartisan measure that is designed to protect Oklahoma's farms from what the bill's sponsors regard as frivolous lawsuits.

"There is a real concern among the agricultural community that animal waste could be lumped in with nuclear waste," said the bill's state Senate sponsor—Sen. Ron Justice, R-Chickasha—in a statement. "If that happened, it would be devastating to the state and the industry."

"In the rural areas when you're hauling livestock," Sen. Justice added, "there are times when the manure spills out. We certainly don't want to see having to rope off those areas and coming in to treat that material as hazardous. This is a practical thing—it's just something we need to clear up before people misunderstand and misidentify."

So watch your language if visiting the Sooner State after Nov. 1, when the new law takes effect. It should be easy enough to identify manure, but it could be legally hazardous to lump it in with nuclear waste.

Trump hires workers comp lawyer in 6th 'Apprentice'

A workers compensation defense attorney set off fireworks at the Hollywood Bowl when "America's Boss," Donald Trump, hired her to be his latest apprentice.

The sixth season of the NBC TV show "The Apprentice" concluded April 22 at the Bowl, with Mr. Trump saying, "You're hired," to Stefani Schaeffer, a 32-year-old attorney in the Los Angeles firm of Stockwell, Harris, Widom, Woolverton & Muehl.

Ms. Schaeffer defends employers against workers comp and discrimination claims. She also defends large real estate developers in construction defect litigation cases.

During the season Mr. Trump fired 17 of Ms. Schaeffer's competitors.

Ms. Schaeffer cited her construction-related experience in her arguments to convince Mr. Trump that he should hire her to oversee development of a Caribbean resort that his company is building.

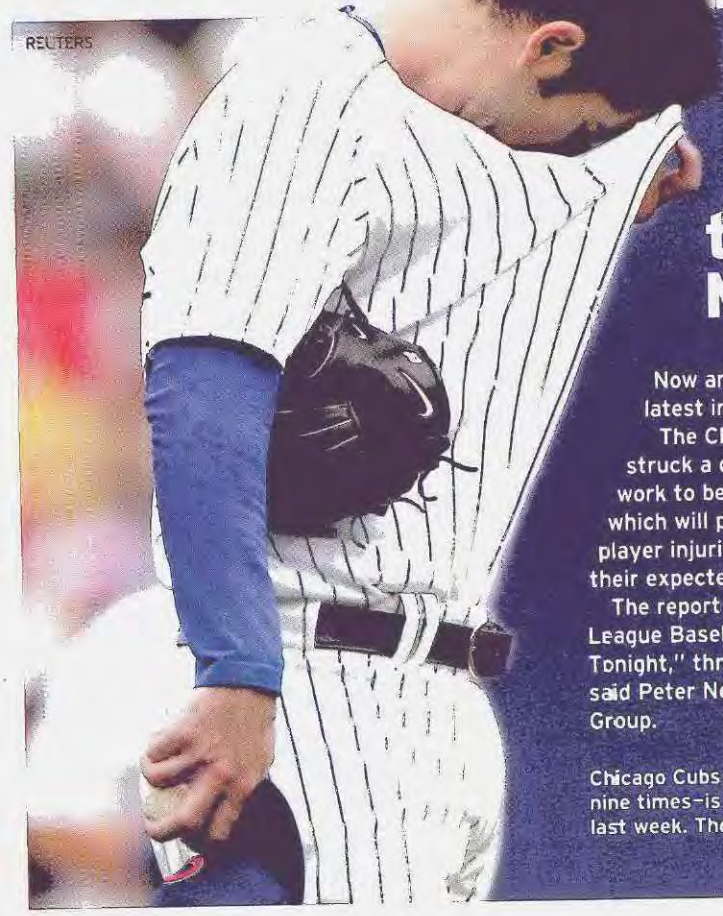
Fans of the show say she mostly maintained a low profile during the season, but argued her case well during the final episode.

She told Mr. Trump he should hire her because she works in a profession that requires toughness.

"You have to be tough, otherwise you get pushed around," the martial arts enthusiast told him. "I get pushed every day and I push back."

NBC

Ms. Schaeffer



REUTERS

Unum, ESPN 'Injury Report' tracks sidelined MLB players

Now an update on Chicago Cubs pitcher Mark Prior's latest injury—brought to you by ESPN and Unum.

The Chattanooga, Tenn.-based disability insurer struck a deal with the Bristol, Conn.-based sports network to be the sole sponsor of the "Injury Report," which will provide the latest information on baseball player injuries and the nature of their injuries as well as their expected return dates.

The report will be featured on the network's Major League Baseball programming, including "Baseball Tonight," through the end of the regular baseball season, said Peter Neiman, vp of brand and advertising for Unum Group.

Chicago Cubs right-hander Mark Prior, 26—on the disabled list nine times—is out for this season following shoulder surgery last week. The injury is not considered career-threatening.

Hitch a Ride With the Best News Vehicle at RIMS

BI's Daily News & Conference Coverage at RIMS 2007

When you're in New Orleans for the 2007 RIMS conference, come along with ***Business Insurance*** for the most timely news coverage available to the risk management community... in print at the RIMS conference, as well as online and in our e-mail News Alerts for those not attending.

Once again, our team of editors will provide uncensored, unbiased and in-depth coverage of breaking news from the sessions, meetings, events and exhibit hall activities.

Stop by ***BI's*** booth #900 during exhibit hours or on your way to the Convention Center at ***BI's Show Daily Café at Gordon Biersch***, 7 am-9 am, Monday through Wednesday, for complimentary coffee and your daily edition of *BI's* Daily News & Conference Coverage.

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