



INTEGRO RECRUITS RIVAL EXECUTIVES TO HEAD NEW REINSURANCE UNIT IN LONDON / PAGE 3

WELLPOINT'S TOP DOC EXPLAINS LINKS BETWEEN BONUSES, CARE / PAGE 3

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In Brief

Virginia passes curbs on spaceflight liability

Virginia's Legislature last week gave final approval last week to legislation that would provide commercial space flight operators with immunity from civil liability as long as the participants have signed a waiver warning them of the danger. The bill is expected to become law by July and expire in July 2013. Virginia is home to the Wallops Flight Facility, an operational installation for suborbital and orbital flight projects owned by the National Aeronautics and Space Administration.

Connecticut names insurance regulator

Connecticut Gov. M. Jodi Rell has named Thomas R. Sullivan to be commissioner of the state's Insurance Department. Mr. Sullivan most recently worked as

See **IN BRIEF** page 22

Bid-rigging charges dismissed again

Judge rejects conspiracy allegations against brokers and insurers but lets plaintiffs refile

By **DOUGLAS McLEOD**

NEWARK, N.J.—Policyholder anti-trust and racketeering litigation against dozens of brokers and insurers was dealt a damaging but not fatal blow last week when a federal judge dismissed certain of the charges for a second time.

In a victory for the insurance industry, U.S. District Judge Garrett E. Brown Jr. threw out claims that

brokers and insurers conspired to stifle competition by steering clients and fixing prices.

Judge Brown, though, also gave policyholder plaintiffs one last opportunity to bolster their cases with supplemental pleadings. Plaintiffs now have 30 days to amend their filings to address problems that the Newark, N.J.-based judge cited in last week's rulings, including their failure to show a conspira-

cy among insurers to restrain competition and failure to outline a plausible racketeering "enterprise" involving potentially every U.S. insurer.

Mitchell J. Auslander, a lawyer for defendant Marsh & McLennan Cos. Inc., hailed the rulings and said he expects the judge ultimately to dismiss all of the claims.

The cases level not only federal antitrust and racketeering charges

but also a variety of state law claims, noted Mr. Auslander, a partner at Willkie, Farr & Gallagher in New York. Judge Brown has indicated, though, that he will not retain jurisdiction of the state law claims if the federal claims are finally dismissed, meaning that policyholders would have to pursue allegations in state courts.

See **BID RIGGING** page 21

Maine plans revamp of health reform law

Existing program having a limited impact

By **JERRY GEISEL**

AUGUSTA, Maine—Maine, which four years ago pioneered the legislative drive to reduce the number of people without health insurance, is going back to the drawing board.

Last week, Gov. John Baldacci, who drove the 2003 reform effort, said it is time to update the law, which has had only a small impact in reducing the number of uninsured.

"Now is the time to take the next step. We will make sure quality health care is available for everyone," Gov. Baldacci said.

Building on the 2003 law, the governor's new package—details of which have yet to be finalized and

which borrow heavily from Massachusetts' 2006 universal health care law—would impose assessments on employers that do not offer health insurance.



Gov. Baldacci

Additionally, Maine residents with annual incomes of at least 400% of the federal poverty level—which, for example, for a family of four, would be about \$80,000—would have to have health insurance or face financial penalties. That is less far-reaching than Massachusetts' individual mandate that applies to all residents unless they prove that affordable cover-

age is not available.

See **MAINE** page 20

Pollution ruling may spark suits

Climate change liability charges loom

By **DAVE LENK**

WASHINGTON—The Supreme Court's ruling that greenhouse gases are air pollutants could trigger a regulatory assault on American industry, which likely would have to battle insurers at the same time for defense costs, according to legal experts.

Although the high court's April 2 ruling focused on a state's right to compel federal regulation of vehicle emissions, many legal experts predict it will embolden plaintiffs attorneys to launch more lawsuits claiming that industrial companies have stoked destructive climate changes.

Few experts predict such lawsuits would get far, saying the interplay of legal standards and science will thwart plaintiffs attorneys eventually. But those cases likely would survive long enough to run up huge defense costs that could encourage early settlements, experts said. Insurers, however, would likely assert that such claims fall under pollution exclusions.

In its 5-4 decision on April 2

in *Massachusetts et al. vs. the Environmental Protection Agency et al.*, the Supreme Court ruled that greenhouse gases, including carbon dioxide, are pollutants under the Clean Air Act. Contrary to the EPA's assertions, the agency is authorized to regulate the emissions of those gases from new vehicles, the court ruled.

In addition, Massachusetts has "a special position and interest" to challenge the EPA's refusal to regulate greenhouse gases, because it is a large landowner facing actual or imminent injury from climate changes attributable to global warming caused in part by greenhouse gases, the court ruled. The court noted that the Massachusetts coastline is being swallowed by rising sea levels caused by global warming. In addition, the EPA has a "Congressional responsibility to protect the state," the court said.

The ruling, however, does not mean the EPA must begin to regulate greenhouse gas emissions. The high court remanded the case to a lower

See **EPA** page 20

BENEFITS MANAGEMENT WELLNESS PROGRAMS

Low-cost efforts to promote healthy lifestyles yield good results; wellness strategies help boost bottom lines; county offers financial incentives to increase health risk assessments sign-ups; cafeterias become ground zero for wellness. **Page 9**



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BENEFIT MANAGER OF THE YEAR®

BI award recognizes benefits excellence

Business Insurance is seeking nominations for the magazine's 2007 Benefit Manager of the Year® award to recognize excellence and innovation in benefits management. The winner will be profiled in the Sept. 17 issue and online. To nominate a candidate, download a form at www.BusinessInsurance.com/BMOY.

EMERGING RISK STRATEGIES

Sharing knowledge a key to ERM success

Columnist John J. Hampton, in a three-part series, discusses a



new framework for enterprise risk management. The third installment, on creating a knowledge warehouse and

involving the board, will appear April 16. Readers can view all of his columns and interviews at BusinessInsurance.com/ERM.

BI DIRECTORIES

Updated DM directory available online

Business Insurance has updated its Disease Management Service Providers directory, available at www.BusinessInsurance.com/directories. All BI directories and rankings may be purchased online in Excel spreadsheet or PDF file format.

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Business Insurance®

REPORTING ON CORPORATE RISK AND EMPLOYEE BENEFIT MANAGEMENT NEWS

Business Insurance (ISSN 0007-6864) Vol. 41, No. 15, is published weekly by Crain Communications Inc., 360 N. Michigan Ave., Chicago, Ill. 60601-3806. Periodicals postage is paid at Chicago and at additional mailing offices. POSTMASTER: Send address changes to *Business Insurance* Circulation Department, 1155 Gratiot Ave. Detroit, Mich. 48207-2912. \$5 a copy and \$97 a year in the U.S. \$130 in Canada and Mexico (includes GST). All other countries, \$230 a year (includes expedited air delivery). Canadian Post International Publications Mail Product (Canadian Distribution) Sales Agreement No. 40012850, GST No. 136760444, Canadian return address: 4960-2 Walker Road, Windsor, ON N9A6J3. Printed in U.S.A. Copyright © 2007 by Crain Communications Inc.

WellPoint links staff bonuses to quality care

Plan couples pay with improvements in four key areas

By JOANNE WOJCIK

INDIANAPOLIS—WellPoint Inc. says it will link 5% of its employees' annual bonuses to measurable improvements in patient care using a Member Health Index that monitors 20 clinical areas.

All 42,000 WellPoint employees will be eligible to receive the bonuses, payable each March, based on overall improvements in patient care received by the 34 million members of both WellPoint and Anthem Blue Cross & Blue Shield plans nationwide. The members include those enrolled in

group, individual, Medicare, Medicaid, health maintenance organization, preferred provider organization, and high-deductible consumer-driven health plans.

The bonuses will be paid based on how well WellPoint's entire member population improves in four key areas: screening and prevention, care management, clinical outcomes and patient safety. If specific targets are met, the entire 5% will be paid to WellPoint employees as part of their annual bonus. If not, employees will



'We actually have data that's reliable, valid and speaks to what we can do in a community.'

Dr. Sam Nussbaum, WellPoint Inc.

not receive that portion of their bonuses, according to a spokesman for the Indianapolis-based health insurer.

To populate the Member Health Index that will be used to determine the bonus payments, WellPoint will tap claims data as well as the databases kept by Health Management Corp., its disease management and integrated care management subsidiary, and WellPoint NextRx, its pharmacy benefit manager.

Although other major health insurers

have yet to unveil comparable initiatives, WellPoint executives said they doubt any of their industry peers have the market share needed to conduct such a widespread incentive/health improvement project.

"It speaks to the depth we have in our markets. Having 34 million members across this country, that means we actually have data that's reliable, valid and speaks to what we can do in a community," said Dr. Sam Nussbaum, WellPoint's executive vp and chief medical officer.

"This is hard to do," he added. "With all of our data, we wanted to make sure we had valid measures, nationally accepted standards. In fact, we've been testing this with a

See **WELLPOINT** page 6

Integro hires executives for new reinsurance unit

By SALLY ROBERTS

LONDON—New York-based brokerage Integro Ltd. said last week it is forming a new London-based international insurance and reinsurance unit and has hired three veteran facultative reinsurance executives from Guy Carpenter & Co. L.L.C. to help run it.

Julian Samengo-Turner and Ron Whyte, who formerly led Guy Carpenter's GCFac Worldwide unit, have joined Integro as managing principals to lead the worldwide operations of the new group. Guy Carpenter is Marsh & McLennan Cos. Inc.'s reinsurance brokerage.

In addition, Marcus Hopkins, previously head of Guy Carpenter's U.K. facultative reinsurance operations, has joined as a managing principal and will lead the unit's London operations.

Integro plans to offer international reinsurance, insurance and wholesale capabilities, including placement for independent brokers around the world as well as its international network of partners that help place global risks for large U.S. clients.

The new unit initially will run independently of its existing London-based retail brokerage, Integro Insurance Brokers Ltd., which Integro established in 2005 with the acquisition of Lloyd's of London brokerage Humphreys Haggas Sutton & Co. Ltd. However, the new unit most likely will merge with the retail unit eventually, Integro Chief Executive Officer Roger Egan said.

While the new unit is more "market facing," Integro's large global clients will benefit, especially from the technical expertise that will come with the additions of Messrs. Samengo-Turner, Whyte and Hopkins, Mr. Egan said.

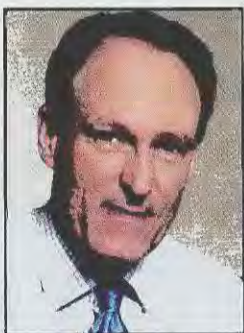
"These three...are brilliant at structuring deals, even complex deals that require facultative reinsurance and all kinds of complicated layering schemes," Mr. Egan said. "They are absolutely amongst the world's best deal-makers, and that will help our North American clients who typically place business in U.S. markets, but also... into the London and Bermuda markets."

Mr. Egan said Integro plans to hire 50 to 60 people over the next year to staff its new unit. While most will be in London, it also will look to Asia, other parts of Europe and South America to round out its expertise.

"Once we build that out, we will have the world's marketplace...covered," Mr. Egan said.

He noted that Integro currently has a presence in Bermuda and Sweden in addition to London and across the United States.

Established in May 2005 by industry veterans Robert Clements, Mr. Egan and Peter Garvey, Integro has been concentrating on building its retail brokerage operations. The firm always intended to get into the reinsurance business, though, and "this opportunity was just too good to pass up," Mr. Egan said.

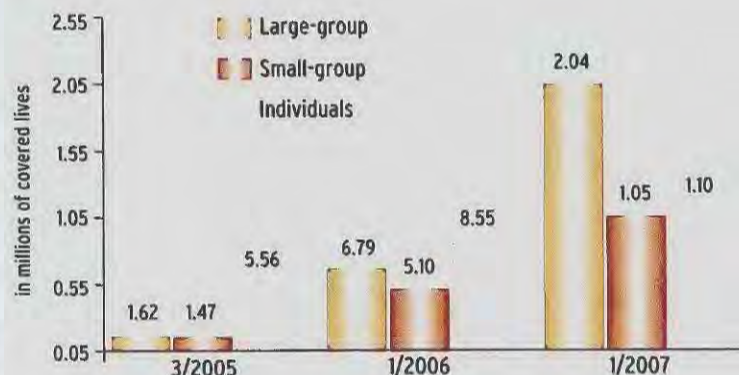


'Once we build (the new international insurance and reinsurance unit) out, we will have the world's marketplace...covered.'

Roger Egan, Integro Ltd.

GROWTH OF HSA/HDHP ENROLLMENT

For small- and large-group employers and individuals.



Source: AHIP

Large employers setting HSA enrollment pace

Smaller groups, individual coverage grow at slower pace

By JOANNE WOJCIK

Enrollment in health savings accounts linked to high-deductible health insurance plans grew last year among large U.S. employers at nearly three times the rate among small employers, a survey shows.

In fact, the fastest growing market for HSA/HDHP products is large-group coverage, which has grown from 19% of the market in March 2005 to almost 50% of the market as of January, according to the survey conducted by the Washington-based trade association America's Health Insurance Plans.

The survey, which was released last week, found that more than 2 million employees of large companies were enrolled in HSAs in January of this year, up from 679,000 a year earlier and just 162,000 in March 2005, the first year that HSAs were widely available.

Although enrollment was a bit slower in the small-group and individual markets, it also surged. Enrollment in small-group HSA

'When you have in the large-group market a tripling in a year,' it shows that HSA plans 'are quickly becoming a mainstream option.'

Michael Tuffin, America's Health Insurance Plans

plans more than doubled to 1.1 million in January from 510,000 a year earlier. By comparison, individual market plans gained 29%, with enrollment totaling 1.1 million in January compared with 855,000 in January 2006.

See **AHIP** page 6

Antitrust commission calls for insurer exemption review

But bipartisan panel doesn't seek repeal of McCarran-Ferguson

MARK A. HOFMANN

WASHINGTON—A bipartisan panel's recommendation that Congress should rarely, if ever, grant industries immunity from federal antitrust laws could aid lawmakers who wish to repeal the McCarran-Ferguson Act.

That's so even though the majority of the Antitrust Modernization Commis-

sion's 12 members stopped short of calling for repeal of the limited antitrust exemption granted to insurers by the act. Instead, the group in its April 3 report called for congressional review of insurers' exemption as well as exemptions granted to other industries, and recommended that exemptions be granted only under very limited circumstances (see box).

Four members advocated repealing the McCarran-Ferguson exemption.

The report came only weeks after lawmakers, displeased with some insurers' claims-handling practices in the wake of Hurricane Katrina, introduced legisla-

tion in both houses of Congress that would repeal insurers' limited antitrust immunity.

"It certainly can be used by those who would like to repeal the exemption," said Bob Detlefsen, vp-public policy for the National Assn. of Mutual Insurance Cos. in Indianapolis. "Nothing in the report offers support for those of us who would prefer that Congress not tinker with the McCarran-Ferguson Act."

"I think there are some problems with the report," he said. "It says that insurers really have nothing to fear from antitrust

ANTITRUST RECOMMENDATIONS

According to the Antitrust Modernization Commission, Congress should grant statutory immunity from antitrust laws only "on the basis of compelling evidence" that either:

- (1) "Competition cannot achieve important societal goals that trump consumer welfare, or
- (2) A market failure clearly requires government regulation in place of competition."

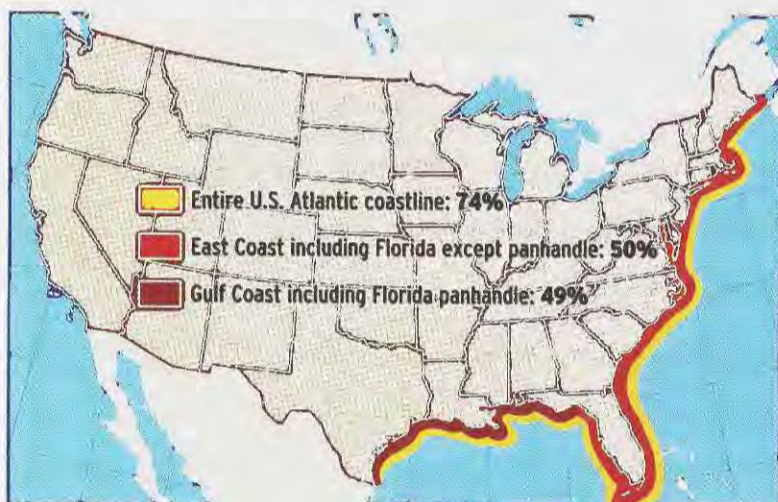
The commission also recommended that Congress adopt sunset provisions to end any exemption at a specified date "unless specifically renewed."

Source: Antitrust Modernization Commission

See **ANTITRUST** page 19

HURRICANE LANDFALL PROBABILITIES

Probabilities for at least one major category 3, 4 or 5 hurricane to reach landfall in the following coastal areas of the United States.



Forecasts anticipate more active Atlantic hurricane season

By MARK A. HOFMANN

FORT COLLINS, Colo.—This year's Atlantic hurricane season should be considerably more active than average, according to a forecast issued last Tuesday by the Tropical Meteorology Project at Colorado State University.

The forecasters predict that 17 named storms will form in the Atlantic basin during this year's hurricane season, which runs from June 1 through Nov. 30.

Nine of those will become hurricanes and five of those hurricanes will grow into major storms packing sustained winds of 111 mph or more, the forecasters said.

The long-term averages for tropical storm activity are 9.6 named storms, 5.9 hurricanes and 2.3 major hurricanes forming annually. Last year, only 10 named storms, five hurricanes and two major hurricanes formed—a significant drop from 2005's record activity.

El Nino conditions over the Pacific typically inhibit hurricane growth in the tropical

Atlantic, said Phil Klotzbach, who now heads the project started by Bill Gray more than two decades ago, in statement announcing the predictions.

"However, we've seen El Nino conditions dissipate quite rapidly late this winter, so we do not think that's going to be an inhibiting factor. Also, we have warm Atlantic sea surface temperatures this year, which we've seen just about every year since 1995," Mr. Klotzbach said.

In the same statement, Mr. Gray noted that the Atlantic basin has experienced an upturn of major storms since 1995. "We think this upturn of major storms will continue for another 15 or 20 years," he said.

Meanwhile, Tropical Storm Risk in London also issued a prediction last Tuesday calling for an active hurricane season.

TSR predicted that 16.7 tropical storms will form during this year's hurricane season, with 9.2 growing to hurricane strength, and 4.2 of those hurricanes reaching intense status.

Massachusetts Commonwealth Care enrollment seen topping projections

By JERRY GEISEL

BOSTON—A Massachusetts program that subsidizes health insurance premiums for low-income uninsured state residents is on track to exceed earlier enrollment projections, state officials said last week.

As of April 1, nearly 63,000 people had enrolled in Commonwealth Care, which is available to state residents whose annual incomes are less than 300% of the federal poverty level.

When the program—authorized by the state's 2006 universal health care law—began Oct. 1, 2006, state officials thought that about half of the 140,000 Massachusetts residents eligible for coverage would sign up by July 1 of this year.

Based on recent enrollment trends, state officials project that

July 1 enrollment goal of 70,000 should be surpassed. State residents can choose from among health plans offered by several managed care organizations.

"The fact that we are on track to surpass our projections is indicative of the need for this program, the high level of benefits it offers, strong outreach and collaboration with many partners who have helped to simplify the enrollment process," said Jon Kingsdale, executive director in Boston of the Connector Authority, which runs Commonwealth Care.

Commonwealth Care is a key component of the 2006 law, which is intended to help the state achieve near-universal health care coverage within a few years. In passing the measure, lawmakers said they believed it would be more cost-

effective to subsidize health insurance premiums for previously uninsured low-income state residents than to reimburse hospitals for providing care—often in expensive emergency room settings—to those without coverage.

Commonwealth Care is available to those individuals age 18 and older with a family income no greater than \$30,630 a year and who previously lacked health insurance coverage.

Premiums paid by enrollees depend on income and the health plan in which they enroll with no premiums paid by those earning less than \$10,210 a year. For those earning more than \$10,210 but less than \$30,630, monthly premiums in the lowest priced plan range from \$18 to \$106. The average monthly premium is \$45.

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 news-magazine 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 consult-

ing 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.

2007 Readers Choice
Business Insurance

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.

A black and white photograph of a worker in a steel mill. The worker is wearing a hard hat and safety glasses, and is looking down at a large, glowing molten metal ladle. The background is filled with industrial machinery and pipes, creating a complex and somewhat chaotic scene. The lighting is dramatic, with bright highlights from the molten metal and deep shadows elsewhere.

A steel plant in China?

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Truck safety is one area that should be targeted to help cut workplace deaths, according to the Centers for Disease Control.

Deaths on the road head work fatalities

By MARK A. HOFMANN

Transportation-related injuries remain the most common source of workplace fatalities, according to an analysis published last week by the Centers for Disease Control.

The CDC's April 6 Morbidity and Mortality Weekly Report said that about 43% of fatal work-related injuries stemmed from transportation incidents in 2005, the last year for which data is available.

It noted that highway incidents were the leading cause of fatal occupational injury during the period 1992 to 2005.

"To reduce the number of workplace deaths, transportation measures targeting workers (e.g. truck safety and highway work-zone safety) should be enhanced by state and local transportation agencies and coordinated with highway-safety measures for the general public," the CDC recommended.

The report notes the transportation incidents resulted in the highest rate of fatal workplace injuries in six of eight occupational sectors studied by the CDC.

The exceptions were construction, where falls resulted in the highest rate of occupational fatalities, and manufacturing, where contact "with objects and equipment" caused the highest rate of workplace fatalities in that sector.

The report also pointed out that while the number of deaths resulting from "highway incidents, falls and being struck by an object" has increased since the Bureau of Labor Statistics introduced its census of fatal occupational injuries in 1992, the number of workplace homicides has decreased.

WellPoint: Health insurer links bonuses to quality care

CONTINUED FROM PAGE 3

number of people and getting ideas and vetting it."

Although the response to WellPoint's Member Health Index and incentive program has been largely positive, some skeptics in the industry said the effort is more marketing than a performance measure.

"I view this as more of a marketing strategy for WellPoint than a real health initiative," said Ray Brusca, vp-benefits at Black & Decker Corp. in Towson, Md.

"Since they are in the business of health, it makes sense to tie employee bonuses to that issue," which would be "no different than most bonus programs that tie bonus payments to business objectives," Mr. Brusca said.

However, "with only 5% of the bonus amount tied to the health of

the members, it's a token marketing move for public consumption and not a strong bonus factor. If member health were really a major performance factor, then a much greater percentage should be tied to it," Mr. Brusca said.

Cindy Lee, manager of benefits and retirement operations for King County, Wash., questioned whether the WellPoint incentive program would mesh with community-based quality improvement initiatives already under way.

"This initiative sounds commendable, but it may play havoc with regional efforts, like the Puget Sound Health Alliance, to create health care quality and cost measures that are used by all providers, purchasers and plans in a region," Ms. Lee said.

Dr. A. Mark Fendrick, director of the Center for Value-Based Insur-

ance Design at the University of Michigan in Ann Arbor, agreed.

"Given that there are multiple examples where various types of quality improvement and cost containment mechanisms conflict, we think it is imperative that all aspects of health care financing and reimbursement look hard at their incen-

'With only 5% of the bonus amount tied to the health of the members, it's a token marketing move for public consumption.'

Ray Brusca, Black & Decker Corp.

What WellPoint is suggesting is even broader than what I had imagined, if pushed to its logical conclusion," said Francois de Brantes, national coordinator of Bridges to Excellence and the former program leader for corporate health initiatives at General Electric Corp. in Fairfield, Conn.

Moreover, WellPoint's incentive program could remove barriers that have been impeding efforts to improve care, he added.

"One of the challenges that any plan faces when creating change is the initial inertia of departmental silos. By having every employee focused on the health of covered plan members, it should give an incentive to all to find ways to cooperate, be innovative and find common solutions," Mr. de Brantes said.

Paul Ginsberg, director of the Center for Studying Health System Change in Washington, said it is a natural progression in the evolution of the health insurance industry for WellPoint to move in this direction.

"Here, WellPoint is saying, 'we have the ability to influence care that's going to lead to better outcomes,'" Mr. Ginsberg said.

Other large, national health insurers are likely to compete by introducing comparable initiatives, he said.

"I wouldn't assume from this that (WellPoint's) capabilities are more advanced than UnitedHealth (Group) or some of their competitor Blue Cross (& Blue Shield Assn.) plans. This is reflective of where the industry is going," he said.

"It's an interesting way of taking the notion of 'pay-for-performance' beyond the physician office setting," said a spokesman for the National Committee for Quality Assurance in Washington, whose Health Plan Employer Data and Information Set measures serve as the benchmark used by numerous quality improvement initiatives.

"It's a fairly novel approach," the NCQA spokesman said. "But, as usual, the devil is in the details."

WELLPOINT'S MEMBER HEALTH INDEX

Insurer to link 5% of employees' annual bonuses to measurable improvements in four areas:

SCREENING AND PREVENTION

- Breast cancer screening
- Cervical cancer screening
- Colorectal cancer screening
- Screening adults for high cholesterol
- Childhood immunization

CARE MANAGEMENT

- Diabetes compliance
- Hypertension compliance
- Rate of behavioral health follow-up within seven days
- Long-term controller medication prescribed to asthmatics
- Appropriate treatment for upper respiratory infection
- Health Management Corp. disease management participation rate
- HMC-managed diabetic and coronary artery disease members with controlled blood pressure

CLINICAL OUTCOMES (RATES PER 1,000)

- Emergency department visits for short-term diabetes complications
- ED visits for congestive heart failure
- ED visits for uncontrolled asthma
- Hospital admission for heart attack, stroke and prestroke
- 30-day readmission rate for congestive heart failure, diabetes and asthma

PATIENT SAFETY

- Patient Safety Hospital Structural Index
- Patient Safety Outcome Index
- Annual monitoring of patients on persistent medications

AHIP: Large employers lead HSA enrollment drive

CONTINUED FROM PAGE 3

Approximately 4.5 million people were covered by HSA/HDHP products, according to the AHIP census, a 43% increase since last year.

Going mainstream

"When you have in the large-group market a tripling in a year," it shows that HSA plans "are quickly becoming a mainstream option," said Michael Tuffin, a senior vp at AHIP.

He said the growth rate is phenomenal given that the product is little more than two years old. While HSAs were authorized by Congress under a 2003 law and have been available since Jan. 1, 2004, many employers waited to offer the plans until the Treasury Department issued guidance in August 2004 that resolved many

operational concerns that had been raised about HSAs.

"The first real shot that employers had to offer this was 2005, and here we are January of '07 with these numbers. That's not insignificant," Mr. Tuffin said.

He said the findings should assure other employers that are thinking about adding HSAs to their health plan options.

"Employers large and small are incorporating health savings account plans into their offerings for employees," he said.

While the growth rate for large employers and small-group employers was exceptional, the tempering of enrollment gains experienced by the individual market slowed the overall growth rate for January to less than half that seen between March 2005 and January 2006.

Mr. Tuffin attributed this slow-

down to the "natural maturing of a marketplace."

"I think 43% growth by any definition is robust and indicative of success. Nothing's going to grow at 200% forever," he said.

Moreover, "in a market that has

a very low growth rate as a whole, to have one aspect of that market grow by 43% in a year shows that something's happening," Mr. Tuffin said.

The full report is available at www.ahipresearch.org.

BEST SELLING HSA/HDHP POLICIES

Includes averages for policies in the large-group market.

	Individual	Family
Average annual deductible*	\$1,952	\$3,996
Average annual out-of-pocket limit	\$3,290	\$6,247
Average lifetime maximum benefit**	\$3.9 million	\$4.1 million
Average annual premium	\$2,796	\$6,963

*Policies generally cover preventive care services before the deductible is reached.
**Companies representing 28% of single and 32% of family coverage reported an unlimited lifetime maximum benefit and were not included.
Source: America's Health Insurance Plans

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Business Insurance

**NEW YORK REALTY COMPANY
FORMS CAPTIVE TO COVER
TERRORISM RISKS/PAGE 3**

**PUBLIC RECREATIONAL SITES
LOSE LIABILITY PROTECTION
IN NEBRASKA/PAGE 3**

**CONOCOPHIA
OVER DEFERRED
FOR POLLUTION**

In Brief

**ING unit settles
kickback charge**

A unit of Dutch financial services firm ING Group last week agreed to pay \$33 million to settle litigation in New York and New Hampshire for allegedly accepting kickbacks to promote certain funds as part of retirement plans. Under the settlement, New York teachers and former teachers are eligible for \$30 million in restitution, while New Hampshire state employees are eligible to receive a total of \$3 million. ING did not admit or deny any wrongdoing.

**UnitedHealth loses
bid to block probe**

Minnesota Attorney General Mike Hatch has the right to investigate UnitedHealth Group Inc.'s executive compensation.

See **IN BRIEF** page 30

Benefits Management Technology & Online Solutions

Benefits managers turn to the Internet to speed up processes; personal health

IRS rules create problems for firms launching HSAs

By **JERRY GEISEL**

WASHINGTON—Employees who start health savings accounts next year could be shortchanged if their employers offer flexible spending accounts with grace periods.

In such situations the maximum tax-free contribution made to an employee's HSA could be cut by as much as 25% during the first year of HSA enrollment, reducing funds available to pay for current year's health care expenses.

"If you have adopted a grace-period FSA, it can be very damaging for those who want to make maximum contributions to their HSAs," said Jay Savan, health and group welfare leader in the St. Louis office of consultant Towers Perrin.

The problem arises from Internal Revenue Service rules governing HSAs and grace-period FSAs. Those FSAs are so named because, unlike traditional FSAs in which employees forfeit unused account balances at the end of year, employees in

grace-period FSAs can tap balances that remain at the end of a year to pay for uncovered health care expenses incurred during the first 10 weeks of the next year.

The IRS, under pressure from Congress, in 2005 authorized grace periods for FSAs to reduce the impact of the end-of-year FSA forfeiture requirement, which has come to be known as "use it or lose it."

IRS rules, though, say that, with

See **HSAs** page 6

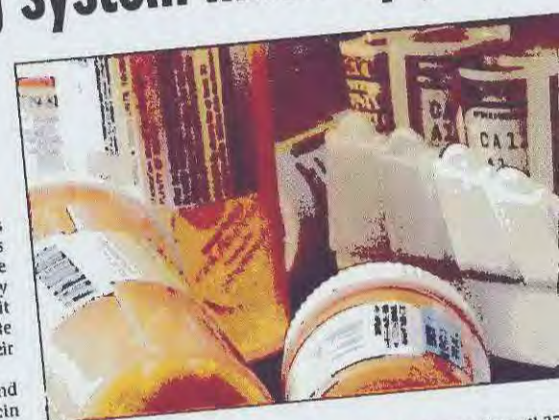
Drug pricing system nixed by pact

**Class settlement may
lead to reduced
prescription costs**

By **JOANNE WOJCIK**

A proposed settlement of a class action lawsuit against the nation's No. 1 provider of average wholesale prices for pharmaceuticals likely will result in pharmacy benefit managers attempting to renegotiate their contracts to preserve their profit margins, experts say.

Employers, organizations and other FBM users should not pin their hopes on lowering their drug



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Business Insurance OPINIONS

Maine's health reforms deserve second chance

WHEN MAINE passed health care reform legislation in 2003, we described it as an experiment well worth watching.

Four years later, it is fair to conclude that the experiment has been less than a rousing success. For example, enrollment in a state program in which premiums are subsidized for lower-income employees working for small businesses, as well as for individuals, is far less than initial projections.

Meanwhile, employers complain that the law—intended to move Maine closer to universal health care coverage—has done nothing to reduce the high cost of health insurance, which employers attribute, in part, to onerous rules insurers have to follow to do business in the state and inadequate Medicaid provider reimbursement rates, which results in providers inflating charges for other buyers of health care services.

Maine's action has been a catalyst for other states to attempt even greater reforms.

Now Gov. John Baldacci, who spearheaded the 2003 reform drive, says it is time to revamp the law. We couldn't agree more. If there has been no meaningful reduction

in the number of uninsured residents since the 2003 legislation was enacted, clearly the law's chief objective has not been met.

We would hope this time around state legislators do a better job of not just creating a new insurance plan and subsidizing some of the cost, but also that they take the necessary steps to make sure the plan is affordable and attractive for employers to offer to all their employees.

And clearly, Maine officials, if they are serious about true reform, have to make the state one that attracts health insurers to the market.

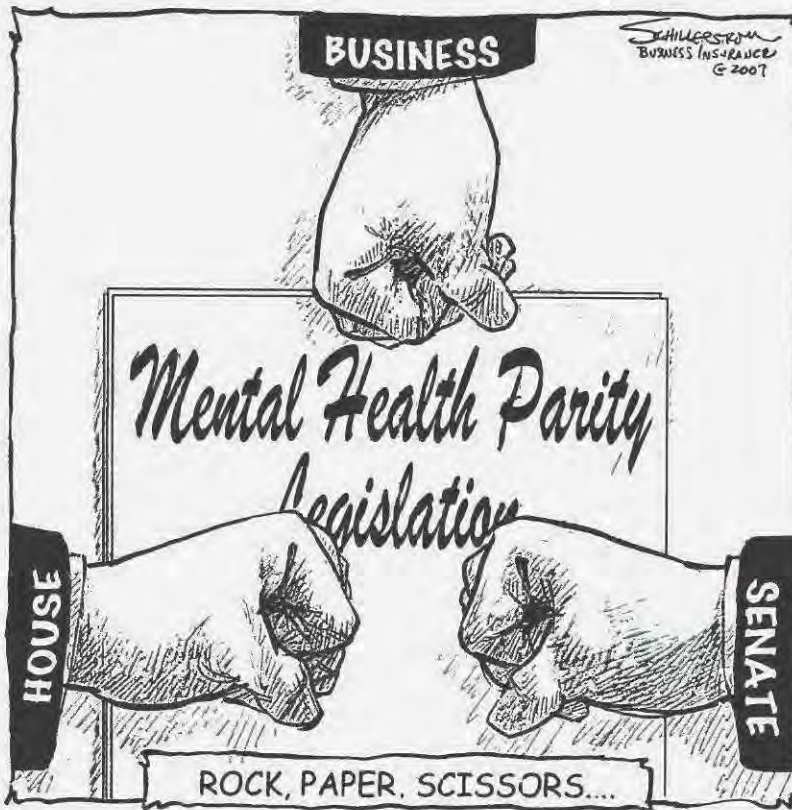
But it would be wrong to be totally negative on Maine's initial reform effort. There is no question that Maine's action has been a catalyst for other states—most notably Massachusetts and Vermont—to attempt even greater reforms that we think will vastly reduce the number of uninsured.

Day-to-day risks just as critical as the exotic

A NEW ANALYSIS of workplace fatalities by the Centers for Disease Control and Prevention starkly illustrates the importance of managing the risks presented by routine—even mundane—activities.

According to the CDC's April 6 Morbidity and Mortality Weekly Report, transportation incidents accounted for about 43% of all fatal workplace-related injuries in 2005, the last year for which data has been compiled. The report notes that highway mishaps were the leading cause of fatal occupational injury throughout the period of 1992-2005. "To reduce the number of workplace deaths, transportation measures targeting workers (e.g. truck safety and highway work-zone safety) should be enhanced by state and local transportation agencies and coordinated with highway-safety measures for the general public," the report said.

Even though employers are now planning to deal with new and potentially disastrous exposures such as pandemic influenza, the CDC report is a useful reminder that day-to-day risks can pose no less a hazard than their more exotic counterparts. There may nothing particularly exciting about reminding employees to exercise care when driving or working around highways. But the CDC report should underscore that confronting easily foreseen risks is just as important as preparing for those that fall into the less foreseeable category.



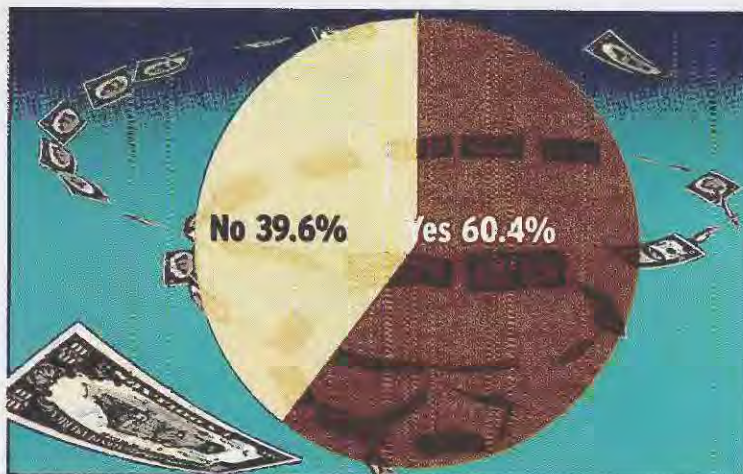
BI beats list

In an effort to ensure continuing timely coverage of risk management, insurance and benefit-related news, Business Insurance has formalized a list of its reporter's 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:

- | | | |
|---|--|--|
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Jerry Geisel. | cat risks: Mark A. Hofmann. |
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Online Poll at www.businessinsurance.com

Should government entities play a role in providing natural catastrophe coverage?



NEXT WEEK'S POLL: How much do you rely on the preseason hurricane predictions issued by Colorado State University, Tropical Storm Risk and others?

BI Online Poll tool sponsored by Wausau Insurance Cos.

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Published weekly at 360 N. Michigan Ave., Chicago, Ill.
60601-3806. Fax: 312-280-3174. biweb@crain.com. Offices:
711 Third Ave., New York, N.Y. 10017-5806. Fax: 212-210-
0704; Suite 814, National Press Building, Washington, D.C.
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WELLNESS PROGRAMS

Employer sets up incentive-based wellness program to cut health care costs / Page 12

Companies view work cafeterias as key assets in drive for healthy living / Page 14

Wellness programs provide employers with return on their investments in health / Page 15

BENEFITS MANAGEMENT

Weighing the benefits of wellness



Cut-price health improvement efforts pay back dividends

By KAREN PALLARITO

In many small and inexpensive ways, businesses are purging poor health habits in the workplace and reporting some encouraging outcomes, from trimmer worker waistlines to improved health measures. Business leaders hope fitter employees will be more productive and miss fewer days of work.

But will the wellness craze spur reductions in the annual rate of employer health care spending—the Holy Grail of cost containment? Only time will tell.

A year ago, Rockford Acromatic Products Co., a family-owned auto-

motive parts manufacturer in Loves Park, Ill., began rewarding employees for shedding excess weight and maintaining a healthy body mass index. At the start of the initiative, more than two-thirds of its 80-member workforce was overweight or obese. Since then, employees have shed a collective 330 pounds.

Their secret? A little healthy competition. Employees compete individually and as teams for cash awards. An employee can earn \$4 per quarter for each 1% drop in weight. Those rewards are cumulative, so workers who sustain their weight loss from quarter to quarter continue to reap the financial bene-

fits of a leaner body.

The company also attempts to foster a healthier work environment. Personal trainers counsel employees about exercise and nutrition. On Fridays, the company pays for fresh fruit for employees to snack on during breaks.

"I love doughnuts—let the record be clear on that—but we wanted to introduce people in common sense kinds of ways to ideas about nutrition and exercise," said Jim Knutson, Rockford Acromatic's risk manager.

Mr. Knutson figures the company is spending about \$600 a month, including the cost of hiring Boston-

based Tangerine Wellness Inc., which designed the weight management program and online tools used by the company.

Although Rockford Acromatic's annual health care claims costs have dropped 15% to 20% over the past year, Mr. Knutson said it's still too soon to draw a cause-and-effect relationship. For a small company, such a precipitous drop over a short period of time could easily be random. On the other hand, it appears that the decline is due to a reduction in utilization of services—not costs for third-party administration or reinsurance. "We're encouraged by what we see in that arena, cer-

tainly," he added.

Businesses don't have to spend a fortune on wellness to get results, said Sandy Walters, executive vp and senior consultant at Kelly & Associates Insurance Group Inc. in Hunt Valley, Md.

An employer might spend a couple of dollars a month doing a wellness assessment and using free or low-cost services from national organizations, such as the American Cancer Society, which helps businesses start an employee wellness program.

Mr. Walters has clients with more elaborate programs that spend closer to \$50 per member per month, but

Ranking Largest disease management service providers

Ranked by total covered lives in 2006

Rank	Company/Address	Phone/Fax/Web site	2006 total covered lives	2006 total clients	2006 total staff	Principal officer
1	Optum 6300 Olson Memorial Highway, Golden Valley, Minn. 55427	888-262-4614 Fax: 763-797-2886 www.optumhealth.com	38,900,000	11,756	930	Rob Webb, CEO
2	APS Healthcare 8403 Colesville Road, Suite 1600, Silver Spring, Md. 20910	800-305-3720 Fax: 301-563-7338 www.apshealthcare.com	1,800,000	25	300	Eileen Auen, CEO
2	ActiveHealth Management 102 Madison Ave., New York, N.Y. 10016	212-651-8200 Fax: 212-651-8228 www.activehealth.net	1,800,000	24	130	Dr. Greg Steinberg, executive vp/chief medical officer
4	CIGNA HealthCare 900 Cottage Grove Road, Hartford, Conn. 06152	860-226-6000 www.cigna.com	1,250,000	4,000	N/A	John Rademacher, COO
5	Avidyn Health 8625 King George Drive, Suite 400, Dallas, Texas 75235	214-920-9076 Fax: 214-920-9370 www.avidynhealth.com	571,271	301	67	Chris Thomas, senior vp/COO
6	Qualis Health 10700 Meridian Ave. N., Suite 100, Seattle, Wash. 98133	206-364-9700 Fax: 206-368-2419 www.qualishealth.com	425,617	45	32	Dr. Jonathan R. Sugarman, president/CEO
7	American Health Holding Inc. 100 W. Old Wilson Bridge Road, Worthington, Ohio 43085	866-614-4244 Fax: 614-818-3239 www.americanhealthholding.com	303,600	26	11	Michael Reidelbach, president/CEO
8	Specialty Disease Management Services Inc. 3030 Hartley Road, Suite 290, Jacksonville, Fla. 32257	904-281-0006 Fax: 904-665-0097 www.specialtydisease.com	87,000	7	N/A	Frederic S. Goldstein, president
9	Alere Medical Inc. 595 Double Eagle Court, Suite 1000, Reno, Nev. 89521	888-802-5373 Fax: 800-595-4421 www.alere.com	65,000	20	250	Janet Tewhill, CEO
10	Managed Care Concepts Inc. 7250 N. Cicero Ave., Lincolnwood, Ill. 60712	800-732-1299 Fax: 847-763-1791 www.managedcareconcepts.com	50,000	50	15	Karen Andalman McIntyre, president

N/A=Not available
Source: BI survey
Researched by Kevin Edison and Karen Tucker

Visit www.businessinsurance.com for more information and to access the full searchable Directory of Disease Management Service Providers. Business Insurance now offers the option to purchase the entire online directory as an Excel file or as a PDF.

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200707 REV 02/07

Wellness: Programs motivate employees

CONTINUED FROM PAGE 9

he hasn't seen any studies that show \$50 buys more value. The key, he said, is "having people motivated and participating one way or another."

Where big companies often fail, added Tangerine Chief Executive Officer Aaron Day, is failing to align the incentive with the expected behavior. "If you pay someone to join a gym, it has nothing to do with whether they ever use the gym," Mr. Day said.

Mr. Walters advocates a baseline assessment of employees' health status before implementing a wellness plan to better target limited dollars. "If you don't have a lot of smokers, don't spend a lot of time on smoking," he said.

Often, though, small businesses aren't even aware of available disease and lifestyle management programs that could help their employees keep chronic diseases in check, quit smoking or reach a healthy weight. That is why the Council of Smaller Enterprises, the small business division of the Greater Cleveland Partnership, is launching a new wellness initiative in partnership with Cleveland-based Medical Mutual of Ohio to teach 15,000 COSE members about existing disease and lifestyle management programs.

"This will be the largest effort of this type in the country that we're aware of and that is specifically focused on small business," said Nancy Pokorny, COSE's vp of member products.

In addition to spreading the word about existing programs, COSE will teach businesses how to encourage

employee participation in disease and lifestyle management programs through financial incentives. COSE also plans to hand out grants of up to \$1,500 per business to help pay for prizes—another way employers can get employees to join the wellness bandwagon.

PyraMax Bank in Greenfield, Wis., is a big believer in rewarding employees for healthy behavior. Each quarter employees can earn \$45 to \$80 depending on their level of participation in a variety of activities that include having their blood drawn annually, telephonic health coaching and wellness campaigns. Beginning in September, the company's 140 employees will get credit for participating in "Start!", the American Heart Assn.'s walking program.

PyraMax budgets \$2,500 for campaigns, prizes and sports sponsorships a year and says the payoff has been tremendous. It estimates its wellness program has saved at least \$160,000 over two years based on just those employees who completed a health risk assessment, and up to \$250,000 during the period across all wellness participants. For hypertension alone, the number of employees reporting the condition dropped 13%, saving \$14,000 to \$21,000, company officials said.

The point of the program is to reduce costs and get people up and moving, said Ondine Wallinger, PyraMax's human resources coordinator. "Each year we keep jazzing it up and going up another notch and making it more exciting and fun for the employees."

WELLNESS STRATEGIES FOR SMALL BUSINESSES

Joel B. Bennett, president of Organizational Wellness & Learning Systems, a Fort Worth, Texas-based workplace wellness consulting company, says there are three basic strategies for small businesses launching a wellness program.

LOW-COST RESOURCES

■ Surf the Internet for free and low-cost health and wellness resources. Try government sites like the National Heart, Lung, and Blood Institute (www.nhlbi.nih.gov) and Substance Abuse and Mental Health Services Administration (getfit.samhsa.gov).

■ Ask local restaurants to supply menus identifying healthy choices and share copies with your employees.

■ Tie charitable fundraisers to events that require exercise, "so you're doing little things that start to create a culture of health and wellness."

BRING THE BOSS ON BOARD

■ A small business owner is the model for his or her employees. An owner who smokes must quit; an owner who drinks excessively or eats poorly must change health habits if he or she expects employees to do the same.

WORK WITH OTHER BUSINESSES

■ Create a small business network of owners who share your interest in employee wellness. Ask a local business association, chamber of commerce or Rotary chapter to sponsor a daylong event. Invite your insurers to attend. And devise a program that will benefit your business and the community.

County cuts deductibles for workers in program

Incentives key to building healthy workforce

By JOANNE WOJCIK

In its own version of "pay or play," one Pacific Northwest county government has avoided union resistance to benefit cuts or increased cost-sharing by rewarding workers who participate in wellness programs.

Under the "Health Reform Initiative," King County, Wash., employees—and their spouses if covered by the county's self-funded health benefit plan—who do not complete an annual health risk assessment pay the highest deductibles. Those who take the assessment are responsible for somewhat smaller deductibles, while those who take the assessment and participate in a health promotion program have their deductibles reduced even further.

"The unions did not want premium-sharing, so we had to come up with another plan," said Cindy Lee, manager of benefits and retirement operations for King County. "They liked the idea of people having the choice to either pay or play."

Unionized workers' response was so positive that 17,800—90%—of the county's 19,702 eligible employees and covered spouses took the health risk assessment in 2006, she said. The same percentage of the county's 19,377 eligible employees and spouses took it this year—far above initial expectations. "Our vendor expected 30% to 65% participation with the incentive," Ms. Lee said.

Perhaps more surprising was how many union workers and their spouses also participated in health promotion programs, such as Weight Watchers at Work, gym discounts and personal health coaching.

"You should have been at our health fair. People were walking around half the size that they were last year. People are walking on their lunch hour, talking about being healthy. We even have 'Salad Days' where everyone brings a salad to share," said Ms. Lee, who herself is a participant in both the Weight Watchers and health coaching programs.

The unions, whose representatives participate in a Joint Labor-Management Insurance Committee, agreed to the wellness incentives—or disincentives, as the case may be—after realizing that, without a change in employees' deteriorating health status, the 17% to 18% annual health care cost increases the county had been experiencing would continue unabated, eventually forcing the public employer to tap workers' paychecks, acknowledged Dustin Frederick, business manager for the Service Employees International Union Local 519 in Seattle.

"The average King County employee is 48 years old. So we have an aging population...and what goes with that is a lot of prescription drug usage and, depend-

ing on the overall state of health of that group, you start getting into expensive medical problems," Mr. Frederick said.

"We're not going to do anything to lower the overall cost trend by shifting the cost from employer to employees through premium sharing or by reducing the benefit. The only way we can do something is to change the complexion and the culture and the usage of the medical plan by employees and their dependents. And the only way to do that is to change their overall health," he said.

What also made the program palatable to the unions, which represent 90% of the county's work-

GOING FOR GOLD

What King County, Wash., employees must do and the deductible reductions they receive in the county's wellness program.

GOLD LEVEL:

Undergo a health risk assessment and participate in the county's wellness program
\$100 individual deductible;
\$300 family deductible

SILVER LEVEL:

Undergo only a health risk assessment
\$300 individual deductible;
\$900 family deductible

BRONZE LEVEL:

Undergo neither a health risk assessment nor participate in the wellness program
\$500 individual deductible;
\$1,500 family deductible

Source: King County, Wash.

Building a wellness program from scratch

COLUMBIA, Md.—"Wellness" popped up on Chuck Andrews' radar screen not long after becoming vp of corporate services at Bowles Fluidics Corp., a maker of windshield washer nozzles in Columbia, Md.

Faced with the company's health insurance renewal, he began to hunt for ways to tame rising health care costs. A wellness program that reduced health risks appeared to be a way to stem the tide.

"I just really dove into it and did a lot of studying and found that I could probably pick and choose and design it," Mr. Andrews said.

He started by tapping a wellness team, drawing members from various functions throughout the 200-employee company that ranged from administration to production. The team's vision was to improve the mental and physical health of employees through fun and fitness.

The program, begun in March 2006, included educational elements and physical activities. Bowles held "Lunch and Learn" sessions, inviting speakers through its membership in the Columbia Assn., a nonprofit organization that provides a variety of

amenities to Columbia residents and association members, and from its health insurer, United-Healthcare, at no cost to the company. It began distributing a monthly health newsletter with paychecks. Free onsite health screenings gave employees a chance to check their weight, blood pressure, blood sugar and cholesterol levels.

To get people moving, the company awarded activity points for participation in any type of physical fitness. All participants received T-shirts and pedometers. Individuals reaching certain levels were eligible for a grand prize drawing.

"We wanted people to be active—not just here at work, which is sometimes difficult. We wanted to capture their activities in their personal lives," Mr. Andrews said. "So if someone worked out at a gym or if someone played basketball or if someone just went for a walk, which everyone can do, those counted as

points toward our activity goals."

The activities were converted into a single measure—calories burned from walking—and charted on a map as part of a team challenge dubbed "Walk Around the World."

"We have a very culturally diverse population here," Mr. Andrews said. For many employees, playing football, basketball, softball or working out at the gym is not part of their culture. "But everybody walks," he added, "so we wanted to come up with something that would appeal really to all of these different cultures and really resonated with everyone."

Last year, employees traveled more than 9,000 virtual miles, making it to Ho Chi Minh City, Vietnam.

On a whim, Bowles entered its program into a Workplace Wellness awards competition cosponsored by the Horizon Foundation, a Columbia, Md., health care philanthropic organization, and the Howard County, Md., Chamber of Commerce.

Bowles captured first place, taking home a \$2,500 prize that the windshield washer nozzle maker will reinvest in this year's wellness initiatives, officials said.

—By Karen Pallarito



Incentives: Improve participation

CONTINUED FROM PREVIOUS PAGE

number of employees and spouses in the low-risk category jumped to 10,186, while those labeled high risk fell to 6,635 and moderate risk to dropped to 635.

"Our analyst is still crunching the numbers. We are very eager to see how claims data matches up with the results," King County's Ms. Lee said.

The Seattle-based county's extraordinary participation rates demonstrate the value of financial incentives in health promotion programs, wellness experts say.

'I just participated in a walk for charity and we all stood in line for a T-shirt. People will do a lot of work for relatively little payoff.'

Ann Clark, ACI Specialty Benefits

"It is entirely necessary to have structural and financial incentives to make a wellness program work because if you build it and they don't come, you don't get the impact at the other end," said Michael Wood, a senior consultant in health and productivity management at Watson Wyatt Worldwide in Seattle.

Mr. Wood was familiar with the King County initiative even though he was not involved.

"The research is very clear that if you get people to participate, to take health risk appraisals, to participate in telephonic lifestyle coaching, things like that, that they reduce their number of risk factors, and the reduction in health risk factors results in a reduction in health care cost trend," he said.

Ann Clark, chief executive officer of ACI Specialty Benefits, a wellness advisory firm in San Diego that regularly consults public entities, said participation rates generally average about 20% when an employer introduces a wellness program without financial incentives, and participants typically already are their healthiest employees.

But incentives don't have to be as substantial as those used by King County to be effective, she said (see box, page 12).

"I'm always surprised how little you have to offer people. They'll work for a free pedometer. They'll work for a T-shirt," Ms. Clark said. "I myself just participated in walk for charity and we all stood in line for a T-shirt. People will do a lot of work for relatively little payoff. So, I think it's critical that employers provide incentives, and it doesn't have to cost a lot."

Employers cook up ways to boost healthy living

Companies revamp cafeteria menus in wellness efforts

By LOUISE ESOLA

To some corporate wellness experts, trying to create an aura of healthy living among employees without addressing what's dished out at the company's cafeteria during lunch hour is like trying to make a fruit salad without venturing into the produce section.

Workplace wellness programs

emerged in the 1990s as a means to curb increasing health care spending. Today, an increasing number of companies are introducing programs and benefits such as corporate health clubs, walking programs and weight management coaching.

It wasn't long before cafeterias became ground zero for change, according to experts.

"For those (companies) with a cafeteria, naturally the discussion turned to: 'If we have this commitment to (wellness), let's look at the food choices we are offering,'" said Tom Lerche, a Chicago-based senior vp with Aon Consulting's health

and benefits practice. "If the foods are unhealthy, it damages the mission."


Over the past several years, more and more companies—using a variety of strategies—have taken such strides as introducing salad bars, nixing the fried chicken and cheeseburger specials, adding nutritional labels and subsidizing healthier fare.

That change is never easy, says LuAnn Heinen, director of the Institute on the Costs and Health Effects of Obesity with the Washington-based National Business Group on Health.

"You get people who got angry, 'who are you to tell me how to eat?' was a common complaint," she said. "There are all sorts of things a company can expect when they begin restricting. (But) companies that have done things right have had tremendous success."

Michele Becker, a Somerset, N.J.-based vp with Aon Consulting's health and benefits practice, said there are typically two ways of changing a company's cafeteria to line it up with corporate wellness strategies.

See **CAFETERIA** next page



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IFS-A127919 Ed. 01-07

Cafeteria: Cooking up healthy eating

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First, a company can "tweak" their offerings, or introduce healthier fare but keep the unhealthy food available. Or, companies can opt to completely overhaul their menus and reintroduce healthy alternatives.

Both strategies, Ms. Becker said, have consequences. A slightly altered program has been one of the most popular choices among companies, albeit not the most successful, she said.

"So many (companies) are only tweaking, and when you only tweak you make it easier for people to continue down the (road) that they are on," she added.

Mr. Lerche said this is a typical cautionary move out of a company's human resources department, which often seeks to avoid backlash and controversy. "Eating habits are

'When you only tweak you make it easier for people to continue down the (road) that they are on.'

Michele Becker, Aon Consulting

deeply ingrained among employees," he said.

A cafeteria extreme makeover, the other option, starts off rocky but sees better results in the end, according to Ms. Becker.

Companies can eventually lure employees into trying the healthier options if they lower the prices of food or provide employees with incentives.

The strategies companies have adopted vary greatly and some are still evolving (see related stories).

"Companies are all about offering (food) choices for employees," said Ms. Heinen.

"The ball's really rolling on this and the connection between the health care bill and...maintaining a healthy weight has been made," Ms. Heinen said.

Signposts on the way to a healthier lifestyle

MAMMOTH LAKES, Calif.—Health-conscious workers don't need to master the tricky skill of reading food labels in Mammoth Hospital's employee cafeteria. They just need to pay attention to the symbols.




A bright red stop sign means high-fat, calorie-laden food; a yellow triangle denotes a meal with two fatty elements, such as butter or whole milk; a green heart translates into completely heart-healthy fare.

The Mammoth Lakes, Calif., hospital added symbols next to items listed on its cafeteria menu about two years ago as part of its evolving employee wellness program, said Pam Mason, the hospital's registered dietician who helps create the menus and snack selections.

The symbols are "our way of saying (to employees) this is a healthy item" or "you may want to opt out of eating that," she said. "It gives them the freedom to make their own choices and be educated."

About 300 people are on Mammoth Hospital's staff in the small ski town in central Califor-

SYMBOLS OF HEALTH

-  High-fat, calorie-laden food
-  Contains 1 or more items that are high calorie, high fat or high in sodium
-  Heart healthy but still watch your portion sizes

nia. Ms. Mason estimates the cafeteria feeds about half of the hospital's staff every day, many of whom are enrolled in the hospital's wellness and weight management program.

The offerings are inexpensive—about \$3 a meal and \$1 for a lunch salad—to encourage employees to eat there. On any given day, employees have their choice of a daily special, a healthy and balanced meal that features one starch, one protein and one vegetable. It also offers an assortment of sandwiches and wraps, salads and homemade soups.

The hospital's menu—also sporting the symbols—is available on its intranet.

Over just the past month, red stop signs have been disappear-

ing from the hospital's menu as Ms. Mason has worked to phase out the cafeteria's offerings of fatty meats as well as full-fat mashed potatoes and gravy, for example.

Apparently, it's the employees who are driving this change.

"I get comments all the time. If there aren't enough heart-healthy items, I'll hear about it," she said.

Ms. Mason is also working to revamp the cafeteria offerings, replacing the higher-fat food with similar-tasting but low-fat versions. For example, she said, employees soon will see slices of vegetable pizza instead of the traditional pepperoni.

The cafeteria has also started using smaller plates for its entrees to keep portion sizes under control. That's been a bit tougher to swallow for employees, Ms. Mason said.

"Sometimes we get complaints, like, there's not enough food," she said. "But we're really watching serving sizes because too much of something might not be good."

—By Louise Esola



Subsidizing nutritious food to promote low-fat options

HARTFORD, Conn.—Dreams of a slightly thicker wallet rather than a thinner waistline are what Hartford Financial Services Group Inc. hopes will sway its employees to choose the healthier options at its employee cafeterias.

The Hartford, Conn.-based financial firm has 15 cafeterias in its larger offices nationwide and hires an outside vendor to operate the cafeterias with their own prices and selections. To encourage healthy eating, Hartford subsidizes the lower fat, more nutritious options by 15%, according to Harriet Aaronson, director of health services.

One recent day, the cafeteria served veggie burgers alongside regular cheeseburgers, with garden burgers costing \$2.71 and cheeseburgers \$3.01. Typically, the leaner garden burger would be more expensive.

If the slight change in price doesn't make a case for eating healthier, Hartford also provides employees with frequent buyer cards, which are stamped each time a person buys a healthy option. After six meals, the seventh is on the company.

Overall, the cafeteria program has been in place for several years and is just "one spoke on the wheel" of the compa-

ny's corporate wellness policy, according to Ms. Aaronson.

"It's easy to say 'eat right' and then turn around and offer burgers and fries in the cafeteria; we wanted to implement something that would help (employees) make better choices," Ms. Aaronson said.

She's quick to point out that the cafeterias still feature such not-so-healthy fare as french fries and pizza, but that there are many options that are considered healthy, such as salads, vegetable platters, low-carbohydrate wraps and fruit plates.

"We like to be clear with people in saying that one (bad) meal doesn't make an unhealthy diet, but we do want to give them the healthier choices to meet their needs," she said.

If the price doesn't help dissuade employees from eating unhealthy meals, the shock from looking at the nutritional labels that come with each food choice might.

Ms. Aaronson said employees can also preview the day's menu on their own computers via the corporate intranet. With the calorie and fat information at hand, employees know what they are getting, she said.

—By Louise Esola

Out with bologna and hot dogs; in with glazed salmon and soy

Produce company makes menu changes to boost wellness

By LOUISE ESOLA

WESTLAKE VILLAGE, Calif.—It's fitting that Dole Food Co., a company whose name is synonymous with fruit and vegetables, promotes healthy eating in its employee cafeteria.

In the Garden Court Cafe, which serves about 300 employees at Dole's headquarters in Westlake Village, Calif., you won't find red meat, nor pork, nothing fried, no bologna or hot dogs, no full-fat dairy, no butter, no sugary soft drinks. The list goes on, said Vp Jen-

nifer Grossman.

"We wanted to make sure that we weren't just talking the talk; that we were walking the walk," said Ms. Grossman, who oversees the Dole Nutrition Institute and the company's approach to incorporating its corporate wellness policy in its cafeteria menu.

Instead of chili con carne, there's "chili non carne," a soy-based version of the popular Tex-Mex favorite. A "soyrizo" and egg substitute burrito is a popular choice at breakfast time. Lean turkey burgers and turkey "Philly" (cheese steak) sandwiches are also regular offerings.

The switch to all-healthy went into effect three and a half years ago, although it took a while for employees to come around, accord-

ing to Ms. Grossman.

"There was that bad period of transition because people really have habits and attachments to their food," she said. "But generally this (change) didn't occur in a tire manufacturing company; it occurred at a fruit and vegetable company. It wasn't out of left field for us."

To help ease in the new way of life in its cafeteria, the company hired professional health-food chefs to design the recipes and menus that would entice employees. Dole offered free tastings to those who were skeptical. The company continues to introduce new ways of serving healthy fare.

Each week the company publishes for its employees a menu featuring a combination of more than four dozen choices of entrees,



DOLE

One of the healthy choices available at Dole Food Co.'s cafeterias is salmon glazed with honey mustard and served with tropical fruit salsa.

soups, salads, sandwiches and breakfasts. Common are heart-healthy fish dishes, such as orange roughly with fresh citrus salsa and sea bass with pineapple relish. Fresh vegetarian soups, such as curry spinach and wild mushroom, are also regular features.

As for prices, nothing costs more than \$5.25.

The cafeteria is now a part of what attracts and retains employees at Dole, Ms. Grossman said. "We have a reputation."

In February, Dole announced that it would be sharing its approach with other companies. Although it said it would not charge directly for the use of its program, Dole said it would co-brand its components with other employers that use it (BI, March 5).

Corporate wellness programs help shape a better bottom line

Companies benefit as healthier workers file fewer claims

By **LOUISE KERTESZ**

Employers with longstanding wellness programs that identify and target at-risk employees are reporting a positive return on their investment.

Data is not yet available, however, for many employers who launched such programs in the past three years, when interest in wellness programs began to surge, employers and consultants say.

A recent PricewaterhouseCoopers L.L.P. report based on information from multinational employers and a review of case studies found that wellness programs can result in a 3-1 return on investment.

'It does take about five years to get a return on investment, but beyond that it's pure savings.'

Cecily Hall, Microsoft Corp.

However, because of lack of standardization, "it is impossible to make generalizations" about the financial impact of a specific wellness program or a company's experience, said Sandy Lutz, a co-author of the report and director of PwC's Health Research Institute in Dallas.

"Most programs we saw" realized a positive return on their investment in three to five years, Ms. Lutz said.

"Employers that do a very good job of selecting vendors and implementing the right programs that meet the needs of their populations should start to see a positive ROI sometime in the second year" of a wellness program, said Joe Marlowe, senior vp with the health and benefits practice of Aon Consulting in Philadelphia.

Consultants cite numerous peer-reviewed studies that have found a reduction in costs as a result of wellness programs in the United States. That research prompted Unilever to conduct a wellness pilot in the United Kingdom in 2004 and 2005, which, "to our astonishment," produced a 3.7-1 return on investment, said Dr. John Cooper, head of corporate occupational health for Unilever P.L.C. in London.

Based on those peer-reviewed results, soon to be published, Unilever rolled out a wellness program globally late last year that includes a health risk assessment and a personal coaching program for exercise, nutrition and "mental resilience," he said.

Five years ago, Microsoft Corp., which was spending about 40% more in medical claims for obese employees than other workers, implemented a weight loss program at a cost of \$6,000 per par-

ticipant, said Cecily Hall, director of U.S. benefits in Redmond, Wash. Today, Microsoft is seeing a return on investment for participants entering the program five years ago.

"It does take about five years to get ROI, but beyond that it's pure savings," Ms. Hall said.

Microsoft has a longstanding comprehensive wellness and prevention program including onsite health screenings and has begun providing a screening in a hospital setting—once reserved only for high-level executives—for all employees. "We anticipate full cost

recovery over time," Ms. Hall said.

American Standard Cos. Inc.'s comprehensive wellness and prevention program has resulted in a trend of reduced medical claims, said Heidi A. Lattig, LifeSteps program manager in Piscataway, N.J. One site's medical claims dropped 2.2% even though employees' risk profile deteriorated, she said. Reduction in work days lost to illness "recently allowed the company to estimate a 4% productivity gain in budgeting," she said.

At General Mills Inc., compre-

See **RETURNS** page 16

WELLNESS PROGRAMS OFFERED

Of 365 U.S. companies surveyed

Diet groups		48%
Diet counseling	27%	
Cafeteria healthy food options		48%
Exercise breaks	27%	
Health Risk Assessments		61%
On-site workout facilities		50%
Gym membership	43%	
Smoking cessation		56%

Source: PricewaterhouseCoopers L.L.P.

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Returns: Corporate wellness programs help improve bottom line

CONTINUED FROM PREVIOUS PAGE

hensive wellness programs dating back 20 years have resulted in medical claims that "track below national trends and other major employers" and show "dramatic" reductions in heart disease, said Dr. Timothy Crimmins, vp-health, safety, and environment, in Golden Valley, Minn. Results "are hard to attribute to a single program—it's all about the overall culture of wellness, starting with our CEO. We found out that what really matters is senior leadership modeling."

Consultants concur. "To be effective in wellness, you need the support of management—ideally senior management and certainly the supervisor—who needs to let employees take the time to engage in the program," said Bruce Kelley, leader of evidence-based consulting with Watson Wyatt

Worldwide in Minneapolis.

"A wellness culture means living it every day," said Mike Miele, president of Apex Management Group in Princeton, N.J. "That means not serving Danish at the meeting, having skim milk in coffee machines and the CEO not having steak at dinner," he said.

While Apex's studies of eight companies found no savings as a result of wellness programs, it did find "a moderate reduction in health risk," Mr. Miele said.

Employers should hold wellness program providers accountable for their ROI predictions, Mr. Miele said.

Watson Wyatt's Mr. Kelley added, "We recommend employers use one of the leading vendors" who can integrate all components of a wellness program around a health coach.

Another key to implementing an effective wellness program is the

health risk assessment.

"Many employers are not focusing on the top risk factors of their employees. They're probably not doing (health risk assessments) and just deciding on a wellness program based on what their neighbor offers," Mr. Kelley said.

'Many employers are not focusing on the top risk factors of employees.'

Bruce Kelley, Watson Wyatt Worldwide

As an employer, Aetna Inc. last year moved all of its employees into Aetna Integrated Health Solution, a program that begins with a health risk assessment, followed by wellness counseling and direction to appropriate wellness and medical

programs, said Timothy Blevins, head of clinical products and integration in Hartford, Conn.

Data that Aetna tracked last year on 6,092 employees who took a health risk assessment showed the value of that tool.

For example, 2,560 employees identified on the assessment as having five or more health risks incurred average costs of \$37.05 per month for inpatient care—which was an unspecified amount lower than the inpatient costs of 1,039 employees with four health risks. "That shows that people who are motivated enough to take a health risk assessment, even with five or more health risks, are probably doing a pretty good job of staying out of the hospital, using ambulatory services, taking their medicine" and participating in wellness activities, said Mr. Blevins.

On the other hand, Aetna's data showed that not taking a health risk

assessment correlates with high medical claims. Of 206 employees who incurred more than \$50,000 in medical claims, 199 did not take a health risk assessment.

Employers are continually modifying their wellness programs, "which is what makes it hard to evaluate them," said Helen Darling, president of the National Business Group on Health in Washington.

For example, some companies are increasing the cash or other incentives employees receive—such as Virgin Life Care Inc.'s HealthMiles program, which allows employees who track wellness efforts to redeem points for free products from retailers—while others focus on new ways to make wellness part of the company culture.

Now that more employers have data mining capabilities and can track results, "we will have more answers than we had five years ago," Ms. Darling said.

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International NEWS

P&I clubs increase pool retentions to \$7 million

Little effect seen on rates paid by shipowners

By MICHAEL BRADFORD

LONDON—Protection and indemnity clubs have increased their retentions in a claims-sharing pool in a move that some of the mutual insurers hope will improve underwriting and help expose substandard risks.

This year's increase in retentions to \$7 million from \$6 million may be followed by \$1 million annual hikes until the retention reaches \$10 million in 2010, if the 13 members of the International Group of P&I Clubs agree on that proposal.

Shipowners, meanwhile, are not likely to see any impact on the price they pay for coverage as P&I club retentions increase, market sources say.

The pool, run by the International Group, pays claims above the club's own retention and up to \$5.4 billion for the 15 member clubs, which write liability coverage for around 90% of the world's shipping risks.

Whether that retention rises again remains to be seen.

"There is the expectation that it will be revisited, but it is hard to predict if it will move to \$8 million in February 2008," said Just Arne Storvik, chief financial officer of Gard A.S., an Arendal, Norway-based P&I club that supports future increases in the retention.

That decision will be made by a working group established by the International Group to review the issue of retention levels, according to Andrew Bardot, the International Group's secretary and executive officer. "No decision has been taken on a further increase for 2008," he said.

Arguments for and against

Among the arguments some clubs put forth for raising the retention is that it will cause the clubs to improve their technical underwriting standards as they take on more risk, Mr. Storvik explained.

The Standard Club supports the increase. "In our view, the arguments for are more persuasive than the arguments against," said Alistair Groom, chief executive of Charles Taylor & Co. Ltd., the London-based company that manages The Standard Club. As for future increases in the retention, "our position is to look at it year by year," said Mr. Groom. "But yes, in principle, we support a gradual increase."

Not all the clubs see it that way.

Charles Hume, chief executive of Shipowners Protection Ltd., the London-based manager of The

Shipowners Club, said his club hasn't taken a position on whether future increases are needed. "It's a question of seeing how the increase of \$1 million actually works," before taking a position on raising the retention to \$8 million and beyond, he noted.

Lars Rhodin, deputy managing director of The Swedish Club in Gothenburg, Sweden, said further hikes in the retention are not necessary. P&I clubs already have plenty of incentive to spot and reject substandard risks, he said. The Swedish Club is "pretty content at this level," Mr. Rhodin said of the \$7 million retention. "The level today is enough to give the right incentive for underwriting discipline."

Some protections against claims from substandard risks entering the pool already are in place, Mr. Rhodin pointed out. Claims related to ships that are found not to have met minimum quality standards are subjected to a "double retention" of \$14 million under rules put in place by the International Group in February. If deficiencies in the ships are not rectified, further claims will be denied.

In today's active global trade market, "ships are being run hard," Mr. Storvik of Gard pointed out, and some can deteriorate in between surveys that determine their seaworthiness. "It's been very hard to find concrete measures to do something about it," he said of the substandard issue, and that is why some clubs hope the higher retention will lead to more careful underwriting.

Mr. Bardot of the International Group said the increase wasn't entirely driven by the need to raise underwriting standards.

By moving it to \$7 million, the group was able to keep the retention in proportion to reinsurance attachment points and limits that have also risen, he noted.

Regardless of whether retentions continue to rise, there is likely to be little impact on rates shipowners pay for coverage.

"All things being equal, it will not make a big difference," said Mr. Groom of Charles Taylor.

"Rates run according to record, capacity and availability" and won't likely be affected by retention changes, Mr. Hume agreed.

Mr. Storvik said the retention increase is expected to have a "neutral effect" with regard to rates and has more value in making sure prudent underwriting decisions are made.

Model pollution cover nearly ready

German liability plan not expected to back all possible exposures

By RICHARD MILLER

BERLIN—Germany's insurance association soon will unveil a nonbinding insurance model to help insurers develop environmental liability coverage and deal with new exposures under the European Union's Environmental Liability Directive.

The association plans to present the model wording to its members at the end of this month, with the expectation that products will become available before the end of the year.

But any resultant standard wordings are likely to fall short of buyers' expectations and will leave gaps in coverage, according to brokers and specialist insurers.

The Environmental Liability Directive, which E.U. member states must transpose into national law by the end of this month, provides a common framework for the prevention and remediation of environmental damage to natural habitats, including public spaces such as beaches, lakes and rivers, and natural resources. The directive makes polluters pay for cleanup and requires that an area is restored to its "baseline condition."

It covers damage not only to water and land, but also to protected species and natural habitats. There is no existing liability regime to cover the restoration of biodiversity in an area affected by environmental damage, and as such no insurance coverage in Europe, experts said.

Risk managers, brokers and insurers in Europe are therefore currently working out what potential new exposures they face and how to manage and transfer them.

They are working to deadline because some member states,

including Spain, have already stated that they will demand compulsory coverage or financial guarantees within three years.

In addition, the directive says member states must encourage the development of insurance or financial security products for environmental damage and report back to the European Commission by 2010.

The Gesamtverband der Deutschen Versicherungswirtschaft e.V. in Berlin is leading the charge for German companies faced with the new exposures.

The insurance association said last week that it will recommend a specialty stand-alone product that can be bought in addition to the existing environmental liability policies that cover against damage to private property and third-party risks and that are already bought by many German businesses.

"We came to the conclusion that all operators that have environmental liability insurance for their (existing) risks will also need an insurance solution for the new ELD liabilities, especially for the biodiversity damages, which isn't covered so far," said Nils Hellberg, head of the GDV's liability and credit insurance department.

The GDV, in consultation with experts from member companies, has worked for about three years to come up with its insurance model, Mr. Hellberg said. It is targeted at the approximately 150 liability insurers that operate in Germany.

Mr. Hellberg believes the first environmental liability products for the new directive will come to the market as early as the fourth quarter of this year.

But, while the GDV's model will go beyond what is currently available in the German market, experts point out—and the GDV acknowledges—that it won't fully cover the liabilities under the directive.

The model stops short of fully covering the directive in that it



Power plants, such as this coal-fired operation near Grevenbroich, Germany, are among industries affected by the E.U. Liability Directive.

would not provide coverage for environmental damage because of "design risks, authorized emissions and for normal operation damages," Mr. Hellberg added.

"We have no experiences in that field," explained Mr. Hellberg. "That's more or less a normal part of an exclusion in liability insurance, especially when you don't know what will happen ... with a new kind of liability," such as with biodiversity damage, he said.

The model also will not cover past pollution, he noted.

Jan Wulfetamge, a lawyer for the federation of German industries, the Berlin-based Bundesverband der Deutschen Industrie e.V., said the GDV's model may not be attractive to companies because it does not cover design-risk liability.

From a broker perspective, the GDV approach "does not provide sufficient coverage for the new risks," said Stefan Scholz, a broker in the liability practice group at Aon Jauch & Hübener Holdings GmbH.

"There are important gaps," he noted, such as that coverage is provided only for sudden and acciden-

See **POLLUTION** page 19

Risk put under researchers' microscope

By RICK MITCHELL

PARIS—A group of France's top academic and professional organizations and insurers has started an ambitious foundation to promote research and education in risk.

The Paris-based Fondation du Risque aims to be "an international center for risk research and education that will study the scientific, statistical, economic, legal and social aspects of all types of risks, including natural, health, energy and industrial risks," said Catherine Vesperini, course director for Paris Dauphine University's master's program in insurance and risk management.

The foundation was created by Paris Dauphine University, the École Polytechnique, the Centre d'Études Actuarielles and the Ecole Nationale de la Statistique et de l'Administration Économique. It was set up to help public and pri-

vate decision-makers and the general public gain a deeper understanding of risk mechanisms, said Ms. Vesperini.

AGF Management Ltd., AXA S.A., Groupama S.A., Société Générale and SCOR S.A. are contributing some €6.5 million (\$8.7 million) in operational funds over five years, said Ms. Vesperini.

She said the foundation will establish three to four modules of four-month, postgraduate courses covering analysis and calculation of different types of risks. "The studies will take a very scientific approach to risk," she said. Ms. Vesperini added that risk managers from companies could also attend to hone their expertise.

The foundation plans to organize international conferences on risk at least yearly, for specialists as well as for the general public. It will hold periodic seminars on specific subjects and publish a magazine and

reports. In addition, a foundation Web site will offer access to a document database.

The foundation plans to promote comprehension about risks by linking with nongovernmental organizations, consumer associations and other groups, its mission statement said.

The four-person directorate is headed by Jean Berthon, director general of the Centre d'Études Actuarielles and former chairman of the International Actuarial Assn.

Ms. Vesperini said France's risk management group, the Association pour le Management des Risques et des Assurances de l'Entreprise, had attended meetings on creating the foundation but was not among its members. "AMRAE is not a school or company able to fund the foundation. Their interest in risk is practical, whereas the foundation takes a much more scientific, research-based view of risks."

Commentary

Police chase raises serious questions

Whether you are a municipal or county risk manager or just a parent of a young driver, you have to be following the police immunity case that the U.S. Supreme Court is reviewing.

The justices are deciding whether to grant immunity to a sheriff's deputy whose maneuver to end a high-speed chase left the fleeing driver seriously injured.

The deputy has to be hoping that the comedic genius of Chico Marx is the turning point in this litigation. During oral arguments in the case, Justice Stephen Breyer rattled off a classic one-liner by the funnyman in an exchange that indicated the jurist did not entirely buy the plaintiff lawyer's arguments.

If other justices—some of whom can snap off their own pithy one-liners—appreciate Justice Breyer's observation, the deputy and public entity risk managers nationwide could come out of this litigation in good shape.

The plaintiff, Victor Harris, was 19 in March 2001 when a Coweta County, Ga., sheriff's deputy clocked him driving 18 mph over the 55 mph limit.

Rather than pull over, Mr. Harris sped off.

Why, especially when he had a clean record? My guess: He was 19.

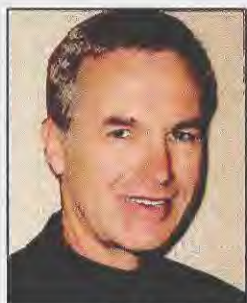
Another deputy, Timothy Scott, then joined the chase. A dispatcher, though, informed Deputy Scott only that Mr. Harris had refused to pull over.

The deputy was not informed that Mr. Harris' original infraction was speeding—not a violent felony that would have made his capture more important.

During the chase, Mr. Harris never lost control of his vehicle and even signaled his turns. But a patrol car video camera tape showed that he passed other motorists by heading into oncoming traffic and blew a couple of red lights. He also collided with Deputy Scott's patrol car in a parking lot and took off again. The video can be viewed online at a variety of news sites, including CNN.com and ABC-News.com.

The chase ended when Mr. Harris crashed after his vehicle was rammed by Deputy Scott's patrol car. Mr. Harris' injuries left him a quadriplegic, and he sued the county and the deputy.

In 2005, the 11th U.S. Circuit Court of Appeals upheld a lower court's finding that the deputy is not entitled to immunity from liability because he violated Mr. Harris' Fourth



DAVE LENCKUS

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Amendment rights by using excessive force.

Twenty years earlier, the Supreme Court ruled that police may use deadly force to stop a driver who is endangering police or the public. But Mr. Harris' argument is that while he was driving unsafely, he was not driving "assaultively."

Statements by justices during oral arguments often do not foretell how they will rule, but

Statements by justices during oral arguments often do not foretell how they will rule, but several justices seemed troubled by Mr. Harris' driving.

several justices seemed troubled by Mr. Harris' driving.

For example, referring to the chase video, Justice Breyer conjured the Chico Marx line that is astoundingly right on point in this case. Justice Breyer suggested that the 11th Circuit's ruling essentially poses the question: "Who do you believe—me or your own eyes?"

Among others, Justice Arthur Kennedy did not seem impressed with Mr. Harris' use of turn signals. "That's like the strangler who observes the no smoking sign," he pointedly, if brutally, observed.

But even if the Supreme Court overturns the 11th Circuit, would it be too much to ask police dispatchers to give all field officers the 411 on why they're pursuing a fleeing vehicle?

In this case, the deputies could have peeled off and met Mr. Harris at his house.

Meanwhile, parents have to hope their kids exercise better judgment than, sadly, the young Mr. Harris did.

Comings & Goings

BROKERS

Boston-based William Gallagher Associates has named **Michael Moran** senior vp.



Mr. Moran

Before his promotion, he was a vp. Willis

Group Holdings Ltd. has named **Valerie Di Maria** senior vp and group marketing and communications direc-

tor. Before joining the New York-based broker, she was corporate vp of communications and public affairs for Motorola Inc.

Aon Construction Services Group has named **Richard S. Church** director, loss control, in the Irvine, Calif., office. Previously, he was senior vp of risk control services at Willis.

West Chester, Pa.-based Harvey Insurance Group



Mr. Scherbak

has appointed **George Scherbak** executive sales adviser. Previously, he was president and chief executive officer of Saucon Mutual

Insurance Co.

Beecher Carlson has named **Sharon D. Brainard** senior vp. Before joining the Atlanta-based broker, she was a senior casualty broker with Aon.

Also at Beecher Carlson, **Michele G. Centeno** has been named managing director on the executive liability team. Previously, she was a managing director and practice leader of Marsh Inc.'s FINPRO practice.

And SouWei Brune has been named senior vp at Beecher Carlson. Previously, she was a senior vp at FINPRO.

INSURERS

New York Life Insurance Co. has named **Russell Bundschuh** executive vp and chief operating officer of New York Life International. Previously, he was first vp of corporate development.

American International Group Inc. has named **Jerry M. de St. Paer** senior vp, finance. Before joining the New York-based insurer, he was executive vp and chief financial officer of XL Capital Ltd.

Houston-based HCC Insurance Holdings Inc. has appointed **Annette J. Goodreau** senior vp and chief actuary. Previously, she was senior vp and chief actuary of HCC's U.S. property and casualty insurance company subsidiaries.

MANAGED CARE

Philadelphia-based Independence Blue Cross has made a number of senior-level appointments:

- **Kathryn A. Galarneau** has been promoted to senior vp, actuarial and underwriting. She was previously vp of actuarial services.
- **Carolyn W. Luther** has been promot-

UP CLOSE

Darren Brown



NEW JOB TITLE: Senior vp and team leader, employee benefits, with ABD Insurance & Financial Services in Redwood City, Calif.

START DATE: March 1

FORMER POSITION: Vp-employee benefits with ABD.

REASON FOR JOINING: Joining ABD in November of 1998 was the best move I ever made. The entrepreneurial, client-focused culture and fast-paced "make it happen" environment is a perfect fit. As a sales executive at CIGNA looking from the outside in, I was always impressed with the people who worked for ABD. They were all winners and that was something I wanted to be a part of.

VITAL STATISTICS: I was born and raised in California and grew up in Mountain View. I graduated from Colgate University in 1993 with a B.A. in history.

JOB HISTORY: I began my insurance career with CIGNA Healthcare right out of college. I started as a new business sales executive in the commercial HMO market in Southern California after six months of Group School. I moved back to the Bay Area in 1996 with CIGNA, working in the Northern California Sales Office in San Francisco at 101 California St.

GOALS FOR NEW POSITION: My focus will remain the same. Continuing to do what is right for our customers, my team members and our insurance company partners. A simple approach that should lead to

continued success at growing and retaining business, attracting and keeping the very best talent and preserving our strong, top-level relationships with our insurance company partners.

FIRST TIME IN JOB MARKET: I had a summer job working for Benham Capital Management, now a part of American Century, manning customer service calls for the Capital Preservation Full Faith and Credit Fund. I was 16, talking to people about their retirement. I stuck to the script! Prior to that, I worked odd jobs in construction.

TOP ADVICE: "Don't moan, don't groan, do your work and go home." My older brother circa 1985.

OUTSIDE THE INDUSTRY, A DREAM JOB: This time of year, I think following in (sports broadcaster) Jim Nantz's footsteps would be a pretty cool thing: NCAA basketball tournament, Final Four, right into the Masters. I could get used to that. Seriously, I played basketball competitively through college and continue to play today. Coaching at any level would be my dream job.

ed to senior vp, information services. Previously, she was vp of application systems.

- **Dr. Richard L. Snyder** has been named senior vp, health services. Before his promotion, he was vp, quality management.

- **Dr. Gerald W. Peden** has been promoted to senior medical director, claim payment policy. He had been a medical director in the claims payment policy area.

- **Patricia A. Kinn** has been promoted to senior director, claim payment policy. Previously, she was director of claim payment policy.

Milwaukee-based Assurant Health has promoted **Rajeev Bal** to COO. Mr. Bal most recently was executive vp, individual medical, at Assurant.

Brett Browchuk has joined Bloomfield, Conn.-based CIGNA HealthCare as senior vp, service operations. Previously, he was a managing director at Putnam Investments.

Greenwood Village, Colo.-based Great-West Healthcare has named **Neil Waldron** senior vp of group health. Previously, he was head of sales and marketing for Aetna Inc.'s small and middle markets.

REINSURANCE

Guy Carpenter & Co. L.L.C. has named **Steven Hanke** senior vp, treaty, for the eastern region of North America. Previ-

ously, he was a senior vp at Aon Re Inc.

OTHER PROVIDERS

Memphis, Tenn.-based Sedgwick Claims Management Services Inc. has appointed **Tim C. Over** senior vp and director of its national health care professional liability claims services practice, Sedgwick Carolina. Previously, he was executive vp of the complex claims division and vp for national business development for Cambridge Integrated Services Group Inc.

Greenwich, Conn.-based Cambridge Integrated Services has named **Peter J. Imbrogno** COO for the United States. Before joining Cambridge, he was COO at Broadspire Services Inc.

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.

Antitrust: Report discounts impact of costly litigation on businesses

CONTINUED FROM PAGE 4

laws." The report said that issues such as data-sharing among insurers would be assessed by "the courts under a rule of reason analysis that would fully consider the potential pro-competitive effects of such conduct and condemn it only if, on balance, it was anticompetitive."

"But it assumes that courts applying this rule of reason analysis will actually make reasonable decisions," Mr. Detlefsen said. "It also discounts the impact that costly antitrust litigation would have on companies and consumers. It ignores the extent to which the threat of litigation

would inhibit insurers from acting cooperatively, even if they thought eventually their actions would survive antitrust scrutiny by the courts."

"I think taken in a different environment, it would not raise much concern," said Ben McKay, senior vp in the Property Casualty Insurers Assn. of America's Washington office. "It basically tells Congress once again to look at antitrust exemptions, which they've done in terms of McCarran-Ferguson in every decade since the 1960s. For a report to suggest that they do it once again would not normally raise many concerns—we would expect

'It's a little bit more fuel to the tinderbox that we have to worry is going to ignite.'

Ben McKay,
Property Casualty Insurers
Assn. of America

the same results, which is leave it alone, the industry works."

But "in the current post-Katrina environment, we worry that repeal is being pushed as a cure for other

problems," Mr. McKay said. "It's a little bit more fuel to the tinderbox that we have to worry is going to ignite."

"The report contains some good news," said a spokesman for the American Insurance Assn. in Washington. "It does not specifically call for repeal of the McCarran-Ferguson antitrust exemption." He also noted that "one of the report's bedrock conclusions is that free market principles are at the foundation of the U.S. economy and that neither the government nor private actors should undermine free market competition."

But he added that "the big deal is

in its discussion of the McCarran-Ferguson exemption, the report fails to make the connection between government regulation and antitrust enforcement. With property/casualty insurers, states have imposed government price controls instead of allowing the free market to determine the range of insurance prices that competitors offer. This regulatory system developed out of McCarran-Ferguson. The report seems to condemn this sort of government economic regulation, but it fails to acknowledge that this is applied to property/casualty insurers."

The 540-page commission report is available at www.amc.gov.

Pollution: Model lacks

CONTINUED FROM PAGE 17

tal losses.

"Our clients have started to ask for adequate risk transfer solutions quite early," Mr. Scholz said. "At the moment, we consider that the German insurance market still does not offer sufficient coverage to the changed environmental risk exposure of our clients. With this advice, most of our clients remain very reluctant about the decision to take out new cover and prefer to wait how the market develops."

The U.S. environmental insurance products, which have been available in Germany for some time, offer "at least an interesting alternative," he added.

"What they are recommending does have some elements of breadth to it," said Karl Russek, senior vp environmental risk, for the ACE European Group in London. "But because they are not willing to go past the sudden and accidental threshold, I think it falls short."

Mr. Russek of ACE thinks the GDV has come up with a model that "most of the indigenous German casualty insurers would be more comfortable in providing." However, the model "stops short of what is available elsewhere in the marketplace, and what is available currently in Germany in our wording," he added.

ACE is one of four specialty environmental insurers which say they have already added wordings to fully cover companies under the directive. The other insurers are AIG Europe S.A., part of American International Group Inc., Chubb Insurance Co. and XL Insurance Co.

Meanwhile, the Deutscher Versicherungs-Schutzverband e.V.—the German commercial insurance buyers association—would not comment on the key points of the GDV's recommendation.

It said it would prefer to wait until it has reviewed the complete model.

"We did offer our opinion to the GDV that the insurers should develop wordings which may bring a maximum of coverage for the companies under ELD," said Georg Klinkhammer, the DVS' liability expert.



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News In Brief

CONTINUED FROM PAGE 1

senior vp of Specialty Risk Services L.L.C., a subsidiary of Hartford Financial Services Group Inc. He succeeds Susan Cogswell, who was reassigned to a deputy commissioner post. She will focus on health care and affordability issues.

Cancer top cause of LTD claims: Unum

Cancer remains the leading cause of long-term disability in the United States, according to research from disability insurer Unum Group Corp. Unum's analysis of claims found that 12.1% of long-term disability claims submitted to the Chattanooga, Tenn.-based insurer in 2006 were due to cancer, with breast, prostate and colon cancers topping the list. Complications from pregnancy, 11.7%; joint/muscle/connective tissue diseases, 10.1%; and back injuries, 8%, also made the list of top long-term disability causes.

P/C rates decline in March: Survey

Property/casualty insurance rates fell by 12% overall in March compared with rates a year earlier, electronic insurance exchange MarketScout reports. All lines of coverage, industry sectors and sizes of accounts reported rate decreases, with larger accounts experiencing larger percentage drops than smaller accounts. General liability rates registered the largest drop—13%—with surety reporting the smallest drop at 3%.

Lexington forms unit for excess casualty

Lexington Insurance Co. has created a new midlayer excess casualty unit offering \$50 million in capacity. Based in London, the new unit will focus on nonlead layer excess casualty programs with attachment points of \$25 million or more, Lexington's parent, New York-based American International Group Inc., said last week in a statement.

Government to increase Medicare Advantage rates

The federal government next year

will boost average payment rates to Medicare Advantage plans by 3.5%, the Centers for Medicare and Medicaid Services said. That payment increase, somewhat higher than industry analysts had expected, is important not only to the plans—typically health maintenance organizations—but also to participants and employers offering retiree health care benefits. With the government keeping reimbursement rates robust, plans can offer generous benefits and low premiums. That makes the plans attractive to retirees as an alternative to the traditional fee-for-service Medicare program, in which enrollees have a greater choice of medical care providers but also less generous benefits.

Willis sets up unit for smaller clients

Willis Group Holdings Ltd. is sharpening its focus on the small commercial marketplace around the world, which it views as largely untapped by global insurance brokerages. Toward this end, the London-based broker said it has named Tom Bartleet chief executive officer of its new Global Small Commercial Business unit in London, which will focus on companies that pay less than \$100,000 in annual premiums. Mr. Bartleet was formerly CEO of Willis' global markets North America. No replacement has been named.

Noted

Alea Group Holdings (Bermuda) Ltd., which is in runoff, has agreed to a £162 million (\$318.8 million) takeover offer from FIN Acquisition Ltd., a company set up by private equity funds advised by Fortress Investment Group....**A.M. Best Co. Inc.** has raised the financial strength rating of **Meadowbrook Insurance Group** and its members to A- from B++. Best said the upgrade reflects the Southfield, Mich.-based insurer group's underwriting and operating improvements and capitalization, as well as its management's expertise in the alternative risk market....**Lloyd's Reinsurance Co. (China) Ltd.**, the Chinese underwriting arm of Lloyd's of London, last week was assigned an A financial strength ratings by Standard & Poor's Corp. and A.M. Best Co. Inc. Both said the A ratings reflect support provided to the Shanghai-based entity from the Lloyd's market, in the form of a quota share retrocession of all business underwritten by it exclusively to syndicates trading at Lloyd's.

BII honors execs with reinsurance awards

By RUPAL PAREKH

HAMILTON, Bermuda—The Bermuda Insurance Institute will honor Henry Keeling with its 2006 (Re)insurance Person of the Year award, while Brian Duperreault will receive the 2006 Lifetime Achievement Award.



Mr. Keeling

Henry Keeling is executive vp and chief operating officer of Hamilton, Bermuda-based XL Capital Ltd., where he has served in various roles since the merger of Mid Ocean Reinsurance Co. with XL in 1998. Before that, he served as president, COO and chief underwriting officer at Mid Ocean, and for a number of years was a Lloyd's of London underwriter, among other things.

Mr. Keeling was selected as "Person of the Year" largely for his "staunch advocacy of the Bermuda market and his contributions to the advancement of the insurance industry," the BII said in a statement.

The recipient of the 2006 Lifetime Achievement Award, Brian

Duperreault, is the former chairman and chief executive officer of ACE Ltd. After more than 20 years as an actuary at American International

Group Inc., Mr. Duperreault joined Hamilton, Bermuda-based ACE in 1994 as chairman, president and CEO, and last year retired from the company.

On his watch, ACE significantly expanded its lines of business and geographic reach, with a number of acquisitions, including the 1999 purchase of CIGNA Corp.'s property/casualty business.

Mr. Duperreault was the BII's first award recipient, in 1998, when he was named "Market Leader of the Year."

Additionally, the institute this year is awarding its Young (Re)insurance Person of the Year to two individuals: Theresa Dunlop, senior underwriter and OIL Insurance team manager at Oil Insurance Ltd., and Laurie Orchard, assistant vp of operations at XL Re Ltd.

The awards will be presented May 12.

DOE seeks public comment on DB pension plan costs

By JERRY GEISEL

WASHINGTON—The Department of Energy is asking for public comment on whether it should continue to reimburse its contractors for defined benefit pension plan costs.

While the DOE says it intends to continue its policy, it also believes an examination of that policy "is appropriate to ensure prudent fiscal management of taxpayer dollars."

The costs and liabilities associated with the benefits, the DOE said, are "projected to grow over the next several years at a rate that significantly exceeds likely increases in the department's budget."

Last April, the DOE attempted to modify its policy, mandating for new employees that it would reimburse contractors only for costs associated with defined contribution plans, such as 401(k) plans, so long as the costs of

those plans didn't exceed certain benchmarks.

At the time, it said the new policy would "improve the predictability of contractor benefit costs and mitigate the growth" of the department's liabilities. The policy was supposed to have gone into effect this year.

But the DOE's action was short-lived. In June, the department suspended the pension reimbursement policy. During the suspension, the DOE said it would consult with stakeholders, including Congress, on the issue. The suspension occurred after the House of Representatives approved an appropriations bill with an amendment to bar the DOE from implementing its new pension reimbursement policy.

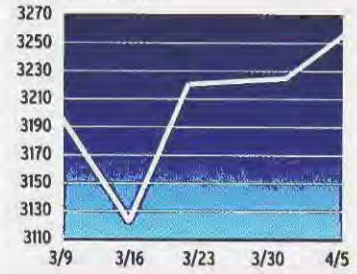
The request for public comment is available by visiting www.management.energy.gov. The deadline for comments is May 11.

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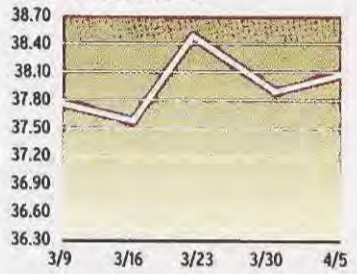
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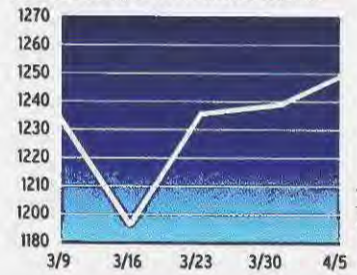
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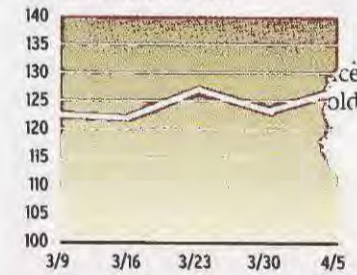
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Percentage change of BI Stock Index vs. key indicators

Index	Value	Change
BI STOCK INDEX	3259.37	1.30%
DOW JONES	12560.20	1.67%
S&P 500	1443.76	1.61%

LARGEST GAINS

Humana Inc.	7.91%
SCOR S.A.	6.27%
Health Net Inc.	6.06%
UnitedHealth Group Inc.	4.46%
American Safety Insurance	3.93%

LARGEST LOSSES

UNICO American Corp.	-9.65%
Tower Group Inc.	-4.50%
NYMAGIC Inc.	-2.47%
SCPIE Holdings Inc.	-1.89%
Everest Re Group Ltd.	-1.75%

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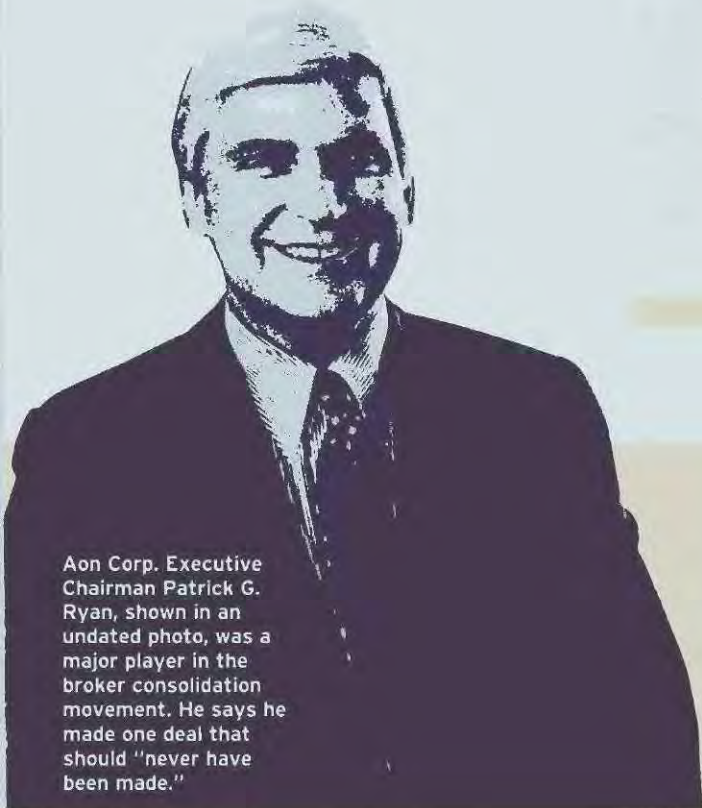
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END PAGE

Contributing : Louise Esola, Matt Scroggins,
Sally Roberts, Joanne Wojcik



Aon Corp. Executive Chairman Patrick G. Ryan, shown in an undated photo, was a major player in the broker consolidation movement. He says he made one deal that should "never have been made."

Ryan reflects on deals that powered Aon

They say hindsight is always 20/20, and that holds true even for Patrick G. Ryan, one of the masterminds behind the mass insurance brokerage consolidation movement of the 1990s.

In recognition of Aon Corp.'s upcoming 20th anniversary of being "Aon," Mr. Ryan, who was at the helm for most of those years, reflected last week about the deal that shouldn't have been and the deals that got away.

Every acquisition that Aon made had to have a strategic and cultural fit in addition to the right financial terms, he said. But there was one deal—the 1994 acquisition of London-based Jenner Fenton Slade Ltd.—where "the cultures just didn't work together" and, in retrospect, "should never have been made."

"I had just come off of having bypass surgery and the deal was floundering while I was out of commission. I came back macho (thinking), 'I can get this resolved.' I should have stayed in the hospital," he lamented.

When asked if he regretted not being able to acquire any particular brokerage, without skipping a beat Mr. Ryan said Johnson & Higgins—the New York-based brokerage that sealed a deal with rival Marsh & McLennan Cos. Inc. in 1997 for \$1.8 billion.

"We had some very involved discussions with them, but basically they would have played a different role within Aon than they did with Marsh and they choose that role as preferable. It was a good company," Mr. Ryan said.

Mr. Ryan said he also wishes Aon could have acquired New York-based Corroon & Black Corp. in 1990, but "they took a cheaper deal from Willis."

Son's breast surgery was appropriate, court rules

We may live in a "mixed-up, muddled up, shook up world" where "girls will be boys and boys will be girls," but not every teenage boy welcomes the prospect of becoming another "Lola."

That's why a New York court ordered an insurer to pay for surgery to restore a 17-year-old boy's masculine physique after he began developing breasts because of a condition known as bilateral gynecomastia.

When Steven Schulman saw that his son's condition was making him depressed, the father sought the best treatment possible: breast-reduction surgery. But Mr. Schulman's insurer, Group Health Inc., denied the claim for the procedure, saying that it was not medically necessary.

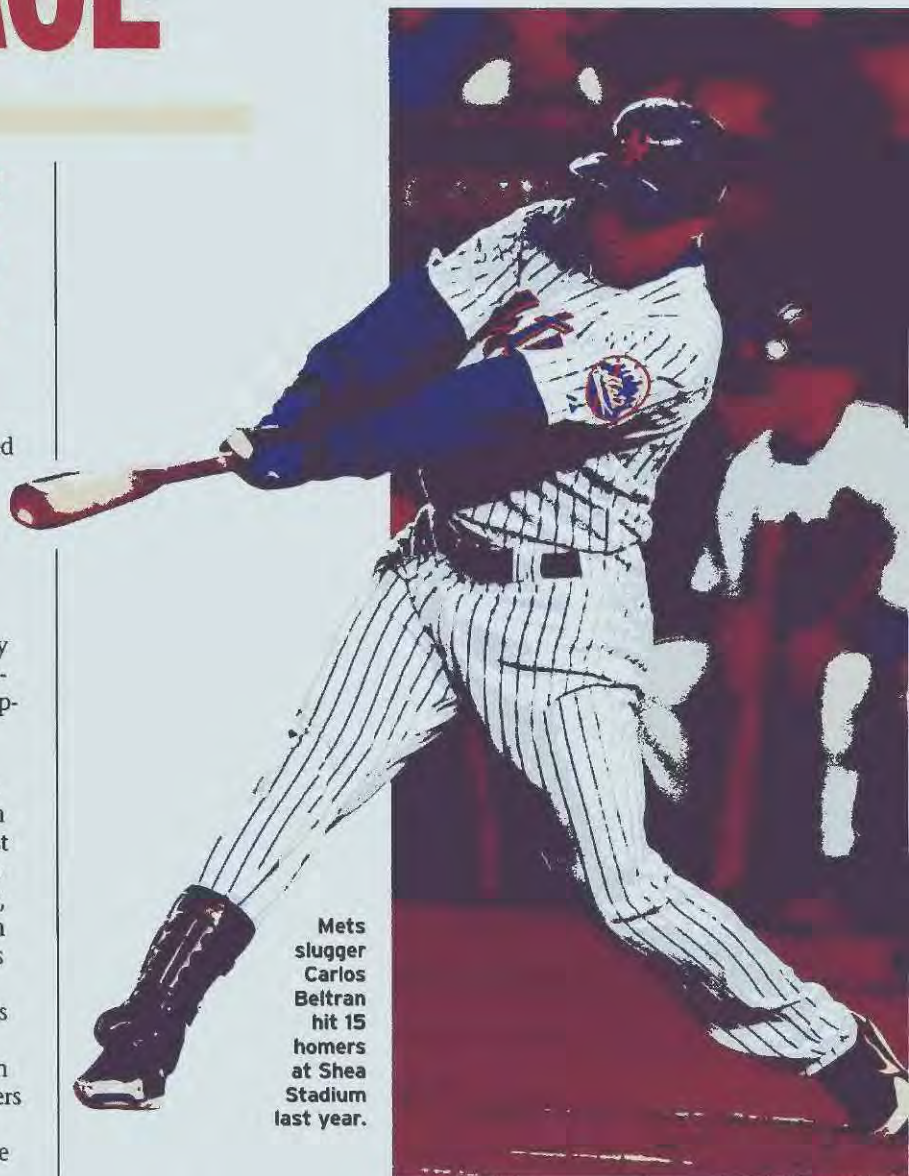
"This was reviewed by three levels of physicians—including the state-mandated external reviewer—and in all three cases the physician reviewers found no medical or psychological evidence to support the need for the surgery," a spokeswoman for New York-based GHI said. "We played by the rules."

So the father took the issue to court, where a New York civil judge ruled in his favor and awarded him \$5,000 of the \$7,500 cost of the surgery.

Judge Barbara Jaffe found in September 2004 that Mr. Schulman's son was unable to function as a normal adolescent because of the condition, which she likened to having a physical deformity akin to a clubfoot or cleft palate—the correction of which would normally be covered by insurance.

GHI appealed, but on April 3 the New York Supreme Court's Appellate Division agreed with the lower court and upheld the earlier award.

The GHI spokeswoman said the insurer has not decided whether to appeal the decision to a higher authority.



Mets slugger Carlos Beltran hit 15 homers at Shea Stadium last year.

REUTERS

AIG reups with Mets as homers back charity

A New York Mets home run in Shea Stadium brings cheers, an appearance of the giant apple out of the Mets Magic Top Hat and, again this year, a charitable donation from hometown insurer American International Group Inc.

AIG is renewing its Homers for Kids program for the Mets' 2007 season, which benefits Queens-based youth charities. Each time a Mets player hits a home run at Shea, AIG donates \$250 to a designated charity, with a different charity selected for each of the team's 26 home series. For each grand slam, AIG contributes \$1,000.

Last season, the Mets hit 96 homers at Shea, and AIG's donations through the program totaled \$29,000.

Head injury blamed on boss' husband

A workers compensation claim and a "negligent" dancing lawsuit are the outcome of an impromptu jitterbug move gone awry.

A 22-year-old Chicago woman is suing her boss' husband, who allegedly grabbed her by the arms while dancing at a work function in April 2006 and, without warning, flipped her in the air, according to a lawsuit filed April 3 in Cook County Circuit Court.

The move caused Lacey Hindman to land head-first on a hardwood dance floor,

resulting in a fractured skull and brain injuries, said her attorney David M. Baum.

In addition to the suit that seeks in excess of \$50,000 in damages, Ms. Hindman has also filed a workers comp claim with the State of Illinois, Mr. Baum added.

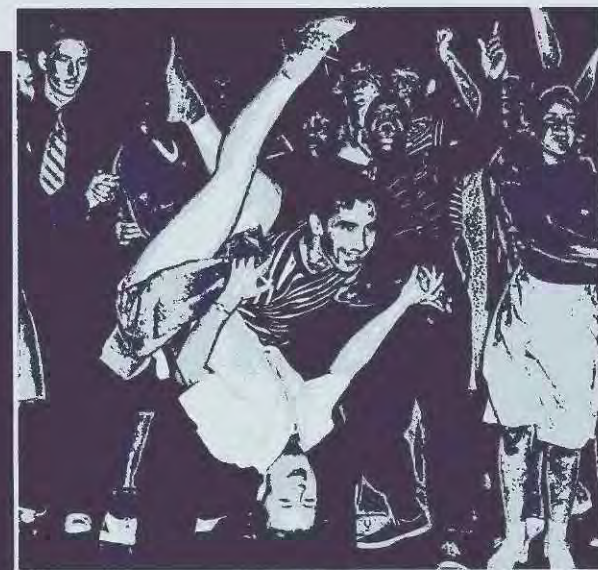
Working as a saleswoman at Shop Girl L.L.C., a women's boutique owned by Chicago clothing designer Kate Prange, Ms. Hindman was instructed by her employer to attend an after-party

gathering at a local bar following a book signing at the store.

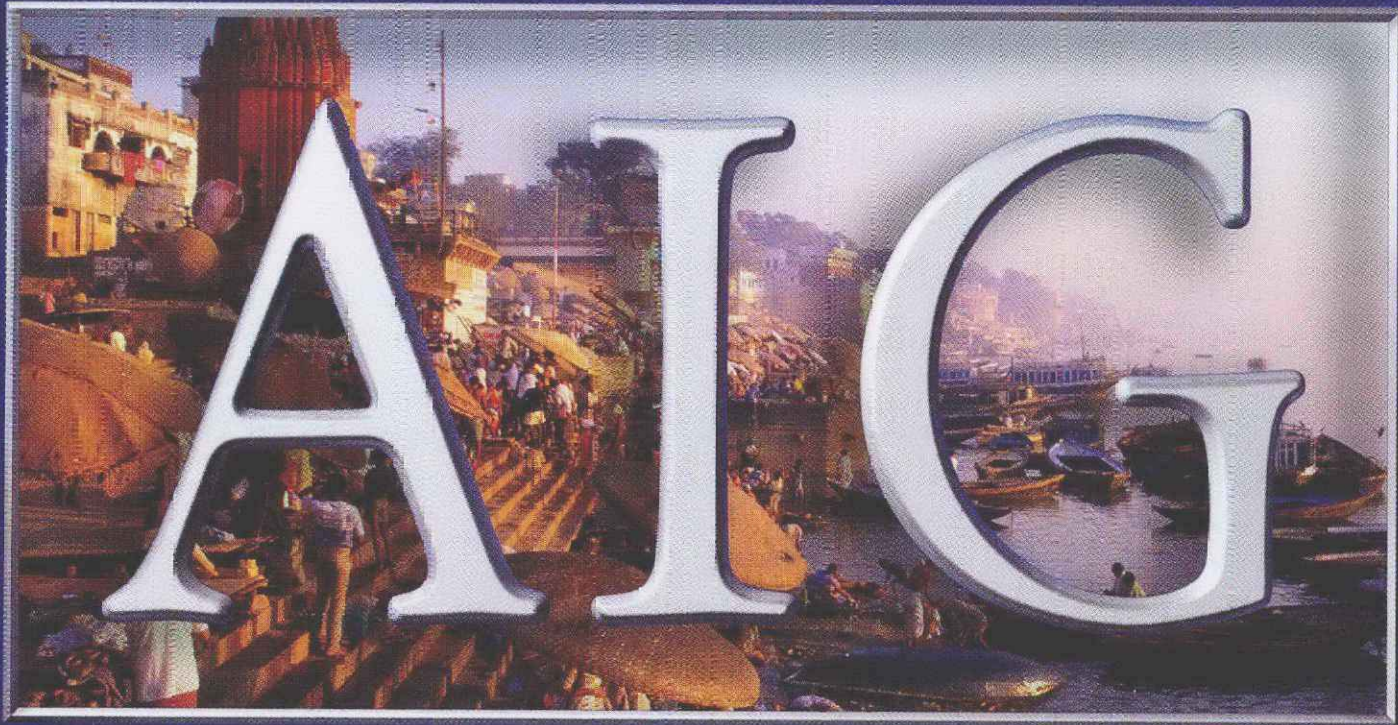
"It's our position that this (event) was a mandatory function of her job," Mr. Baum said.

While there, Ms. Hindman was dancing with a circle of friends and coworkers when David Prange "negligently lifted and flipped (her) into the air so as to land on the floor with great force," the lawsuit states.

Mr. and Ms. Prange could not be reached for comment.



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