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INTO POTENTIAL  
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**N.J. APPLIES WORKPLACE  
ANTI-DISCRIMINATION LAW  
TO PUBLIC SCHOOLS / PAGE 4**

## In Brief

**S&P to introduce  
runoff ratings system**

New York-based rating agency Standard & Poor's Corp. plans to introduce a new ratings system for runoff insurers and reinsurers later this year. The new ratings criteria will be used to gauge the likelihood of recovering principal from reinsurance companies. The ratings scale will mirror the one S&P currently uses for recovery ratings in the leveraged finance world, said Peter Hughes, a London-based vp for the agency.

**Panel: AIG unit owes  
comp insurers \$444M**

An arbitration panel has determined that an American International Group Inc. subsidiary should pay more than \$443.5 million to a group of insolvent workers compensation insurers to resolve a reinsurance

See **IN BRIEF** page 30

# Hub International OKs private buyout

*Additional insurance  
brokerages may take  
similar path: Experts*

By **SALLY ROBERTS**

**CHICAGO**—Hub International Ltd. has become the latest publicly held brokerage to take advantage of the abundance of private equity capital shopping around the insurance brokerage marketplace.

The Chicago-based middle-market brokerage said last week that it had agreed to be acquired by funds advised by international private equity group Apax Partners together with Morgan Stanley Principal Investments, in a deal valued at about \$1.8 billion, including the assumption of \$145 million of debt. Hub's management also took a stake in the company, which does business in the United States and Canada, and posted an acquisition-fueled \$543.9 million in gross revenues in 2006, a 22.9% increase over 2005.

The Hub deal comes on the heels of Briarcliff Manor, N.Y.-based USI Holdings Corp.'s \$1.4 billion buyout in January by GS Capital Partners, a private equity affiliate of Goldman, Sachs & Co. (*BI*, Jan. 22).

But unlike the USI deal, which

was seen as a way for USI to get out of the public spotlight after recently struggling to meet analysts' expectations, there was no perceived

### HUB AT A GLANCE

Major facts about Hub International Ltd.

Founded:	<b>1998</b>
Initial public offering:	<b>JUNE 2002</b>
2006 gross revenues:	<b>\$543.9 M*</b>
U.S. revenues:	<b>\$393.4 M</b>
Canada revenues:	<b>\$148.1 M</b>
Employees:	<b>3,820</b>
Number of offices:	<b>200</b>

\*\$2.4 million in 2006 revenues is from interest income from banks.  
Source: Hub annual reports

need for Hub to go private, observers say.

Indeed, Hub, which was formed in 1998 through the merger of 11 Canadian insurance brokerages and is 26% owned by Toronto-based Fairfax Financial Holdings Ltd., is one of the better-performing middle-market brokers, they say.

But with a \$40 per share buyout asking price, which represents a

See **HUB** page 29

# Aon restates to correct option grants errors

*Broker says review of practices reveals past mistakes, though no deliberate manipulation*

By **SALLY ROBERTS  
and RUPAL PAREKH**

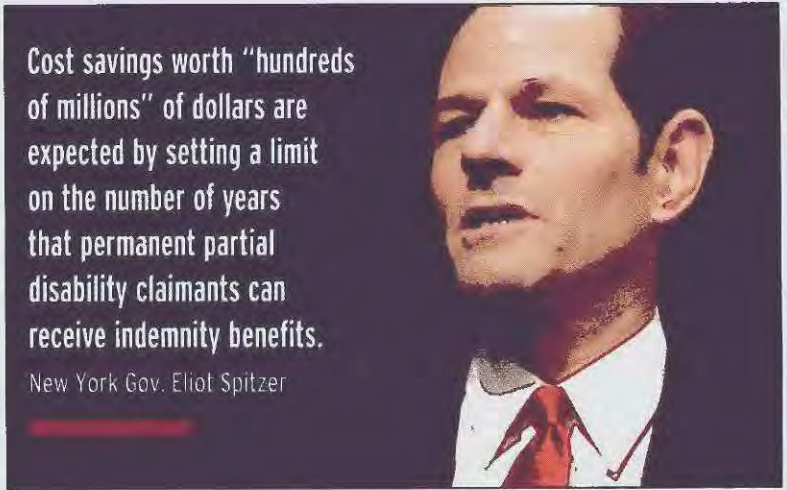
**CHICAGO**—Aon Corp. said last week that it would restate its financial

results for several periods after a review of its options granting practices revealed unrecognized compensation expenses.

Analysts say Aon's restatement

Cost savings worth "hundreds of millions" of dollars are expected by setting a limit on the number of years that permanent partial disability claimants can receive indemnity benefits.

New York Gov. Eliot Spitzer



LANDOV

# Employers welcome Spitzer comp reforms

*N.Y. governor sees  
sharp rate declines,  
increased benefits*

By **ROBERTO CENICEROS**

**ALBANY, N.Y.**—New York Gov. Eliot Spitzer says he would make certain that savings from the proposed workers compensation reforms he unveiled last week get passed on from insurers to employers beginning with 2008 rates.

The governor said the reforms, in a long-awaited compromise package that is expected to go to legislators this week, would reduce employer costs by 10% to 15%.

That amount is expected to grow over time, the governor said without specifying an amount.

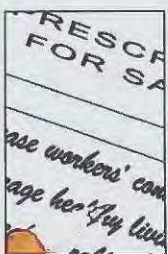
Labor groups, employers and insurance organizations praised the deal as an important improvement for both workers and employers as the plan calls for an increase in benefits and a reduction in system costs. Legislative insiders said the package could win quick passage.

But whether the reforms hammered out by legislative leaders, labor and business representatives would result in 10% to 15% cost reductions remains to be seen, said Gary Henning, assistant vp of the northwest region for the American

See **WORKERS COMP** page 29

## BENEFITS MANAGEMENT

Employers paying all health care premiums become an



even rarer breed; wellness efforts at Lands' End help curb costs; health insurers

promote healthy teeth as the root of better overall health; early intervention in high-risk pregnancies reduces the number and cost of premature births. Page 11

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# How can you reduce medical costs in workers' compensation?

Ask Aon.



With the medical component of workers' compensation soaring, many organizations see no end in sight. However, there are strategies that have proven effective in the group health arena that could also

have a dramatic effect on the medical and pharmacy components of workers' comp. Visit [www.aon.com/ask](http://www.aon.com/ask) to learn more about cost-containment strategies that can help your workers' comp program.

— Heidi Mader, assistant vice president in Aon Consulting's health and welfare practice

Download our full perspective  
at [www.aon.com/ask](http://www.aon.com/ask)



## On the Web

### BENEFIT MANAGER OF THE YEAR®

#### BI seeking nominees for benefit award

*Business Insurance's* Benefit Manager of the Year® award salutes outstanding performance in the field of benefits management. Nominations are now being accepted for this year's award. The deadline for complete nominations is June 1. For a nomination form, go to [www.BusinessInsurance.com/BMOY](http://www.BusinessInsurance.com/BMOY).

### BI DIRECTORIES

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*Business Insurance* has updated its Prescription Benefit Managers and Case Management Providers directories for 2007. All BI directories, including these, are eligible for purchase online, either as a comprehensive spreadsheet of full directory information, or as a PDF of a published directory. Go to [www.BusinessInsurance.com/directories](http://www.BusinessInsurance.com/directories).

### BI RANKINGS

#### Research industry firms with rankings online

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# Market for EPL competitive but disciplined

*Price usually right, but buyers must scrutinize policies*

By JUDY GREENWALD

Employers seeking employment practices liability insurance will find a market that is highly competitive, but still restrained, observers say.

Securing coverage is a process that demands careful consideration because of the different policy forms offered by insurers, experts say.

Meanwhile, observers disagree whether a class action suit certified last month against Wal-Mart Stores Inc. is likely to increase interest in

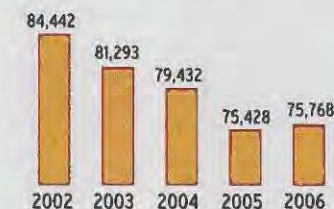
EPL coverage (see story, page 28).

"I think that the EPL market currently is a very competitive market," said Cara Lovering, Hartford, Conn.-based employment practices liability product manager for Travelers Cos. Inc., an EPL insurer. "We've seen over the past number of years a lot of carriers that are re-entering the market."

Particularly for large-account business, the market is stable but competitive, said Jim Gray, executive vp at Hamilton, Bermuda-based Max Re Capital Ltd.

EPL coverage has been in existence since about 1991 following passage of the Civil Rights Act of 1991, which strengthened laws against employment discrimination, according to Mr. Gray. It has

### BIAS CHARGES SLOW



Source: EEOC

since evolved into a mature and experienced underwriting market, he said.

"I would say it's competitive in a healthy way," in the sense that it has knowledgeable underwriters who are "competing on a basis of

informed decisions" instead of being "a market characterized by more naive capacity," Mr. Gray said.

Observers say rates have been stable.

"You're not seeing a lot of swings," or significant rate increases or decreases, said Catherine Padalino, Warren, N.J.-based EPL product manager for Chubb Specialty Insurance, a unit of Chubb Corp.

Richard S. Betterley, president of Sterling, Mass.-based Betterley Risk Consultants Inc. said that while the EPL market is not as soft as some other lines, it is still "fairly soft" and attractive business "would expect to see rate reduction opportunities on

See EPL page 28

## Congress begins work on terrorism backstop

*Lawmakers differ on need for lasting program*

By MARK A. HOFMANN

WASHINGTON—The legislative effort to retain the federal terrorism insurance backstop is formally under way with chairman of the Senate Banking, Housing and Urban Affairs Committee vowing anew to seek "a more permanent federal commitment" to the mechanism.

Before he heard a panel of witnesses offer their opinions last week on what should be done about the backstop, Sen. Christopher Dodd, D-Conn., said that "we continue to see a need to provide a federal backstop to protect our people, businesses and critical infrastructure" from future terrorist attacks. The current federal backstop that would help insurers deal with claims arising from a future catastrophic terrorist attack is slated to expire Dec. 31.

Sen. Dodd made clear he has no intention of waiting until the last minute to get a bill through the committee. "We'll be trying to move as quickly as we can," he said, but did not set a timetable.

But the hearing also underscored that a truly permanent backstop might not be palatable to all lawmakers.

For example, Sen. Dodd's predecessor as chairman—Sen. Richard Shelby, R-Ala.—stressed that the original Terrorism Risk Insurance Act of 2002 sought to establish a "temporary" program that would end once a sufficient private market for terrorism insurance emerged.

Sen. Shelby, who was one of only 11 senators to vote against the original TRIA bill, again contended that the backstop presents "disincentives" for the private market to devise new ways to deal with terrorism risks.

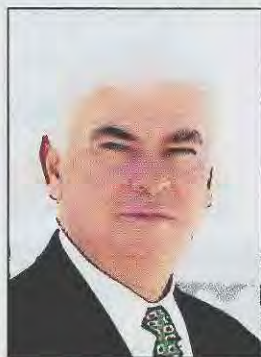
The backstop also drew some skepticism from the other pole of the political spectrum as Sen. Sherrod Brown, D-Ohio, said that insurers' financial position "has grown stronger" over recent decades and he wanted the private sector to assume more risk.

But a backstop backer and original sponsor of TRIA—Sen. Robert Bennett, R-Utah—said that the backstop "in effect" amounts to a "huge deductible for the federal government." Under the current backstop enacted in 2005, insurers would have to cover at least \$100 million in insured losses before they could tap the backstop, as well as meet a 20% industry "deductible" in terms

of earned premium for covered lines to trigger the backstop, an amount that could reach into the billions of dollars.

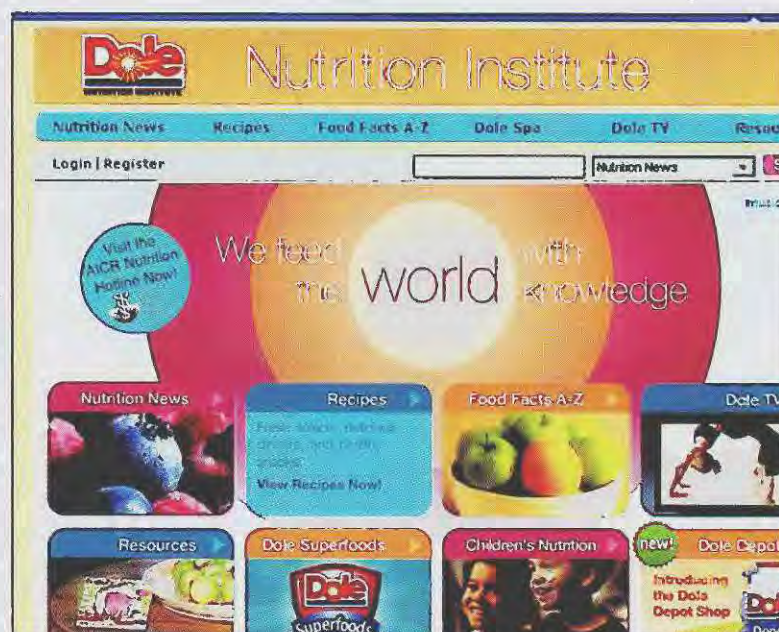
With industry participation required by current law, the federal government could end up paying for all losses from a future catastrophic terrorist attack, he said.

In separate but related action, the House Financial Services Committee's Capital Markets, Insurance and Government Sponsored Enterprises Subcommittee will hold a hearing March 5 in New York on extending the terrorism backstop.



**'We continue to see a need to provide a federal backstop.'**

Sen. Christopher Dodd  
D-Conn.



Through the Dole Nutrition Institute, Dole Food Co. is sharing with other employers the wellness program the company developed for its own employee population.

## Some employers see benefit innovations as ripe for export

*Sharing programs offers opportunity to boost bottom line*

By JOANNE WOJCIK

When Dole Food Co. announced recently that it would share its successful wellness program with other employers, it joined a handful of employers trying to capitalize on the success of their benefits- and human-resource-related operations.

Dole's move demonstrates how an employer can take a benefits problem and turn it into a potential source of revenue. But the move is unusual because employers traditionally have closely guarded details of their health care cost containment strategies for competitive reasons.

Although Dole will not charge directly for use of its wellness educa-

tion program, it does plan to co-brand its components, which include a nutrition newsletter, healthy food service recipes, signage, kiosks and videos, with other employers that use it. This could lead to increased sales for the Westlake Village, Calif.-based company, which is the world's largest fruit and vegetable company, a company spokesman said.

"We want to offer some components that are pretty turn-key," said Jennifer Grossman, vp in charge of the Dole Nutrition Institute, a non-profit arm of the company that was founded approximately four years ago by Chairman and Chief Execu-



See DOLE page 27

## Business Insurance.

### REPORTING ON CORPORATE RISK AND EMPLOYEE BENEFIT MANAGEMENT NEWS

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# State workplace anti-bias law applied to school case

## Burden of proof lighter than under federal statutes

By **DAVE LENCKUS**

**TRENTON, N.J.**—In applying a state workplace anti-discrimination law to a school district facing a lawsuit from a student subjected to anti-gay harassment by his peers, the New Jersey Supreme Court has shown plaintiffs nationwide an easier way to hold school districts liable, legal experts say.

By not forcing the plaintiff to seek damages under a federal education anti-discrimination statute, the

court has given him a lighter burden of proof to establish liability against his former school.

Ronald Stephens, executive director of the National School Safety Center of Westlake Village, Calif., said he has never heard of a student suing a school under a state workplace anti-discrimination law. The Center was established by presidential directive in 1984 to focus on preventing school crime and violence.

Because the decision may give plaintiffs in other states another route to recover damages from schools, it "should be taken seriously" by all schools, regardless of whether they have programs designed to prevent discrimination, he said.

The case, *L.W. vs. Toms River Regional Schools Board of Education*, drew numerous amicus briefs from education and gay civil rights advocacy groups. The lawsuit was filed by a former student who suffered years of verbal and physical abuse from classmates who believed the boy is gay. The harassment began in elementary school and continued into the plaintiff's first year of high school, when he transferred out of the district, court records state.

The boy's schools in Toms River, N.J., responded to the harassment by what court papers describe as progressive discipline that was subject to the officer's prior record. Only the victim's junior high school had an anti-discrimination policy,

but it did not address the kind of harassment he suffered and was not communicated effectively, according to court papers.

The former student and his mother sued the school district under New Jersey's workplace anti-discrimination statute, the Law Against Discrimination.

Toms River school district attorney Thomas E. Monahan of Gilmore & Monahan P.A. in Toms River said that state courts previously interpreted the 1945 law as a protective measure for gays and lesbians seeking teaching posts.

A state administrative law judge ruled that the statute did not apply to student-on-student harassment. However, the director of the state's

Civil Rights Division overturned the ruling, awarded the boy and his mother \$70,000 in damages and ordered the school district to adopt remedial measures.

A split state appellate court in 2005 largely upheld the director's decision, but it reduced the award to \$50,000, payable only to the former student.

In its 7-0 ruling, the New Jersey Supreme Court on Feb. 21 affirmed the appellate court's ruling that the law holds schools accountable for student-on-student sexual harassment.

The high court, however, noted that schools could not be expected

See **SCHOOLS** page 28



## Companies continue to modify pension plans

### FedEx expands cash balance; DB plan freeze at Goodyear

By **JERRY GEISEL**

**MEMPHIS, Tenn., and AKRON, Ohio**—Two large employers last week announced major changes to their pension offerings, with FedEx Corp. expanding its cash balance pension plan to cover all eligible employees and Goodyear Tire & Rubber Co. signaling the winding up of its defined benefit plan.

Nearly four years ago, FedEx adopted a cash balance plan, offering it to employees hired on or after June 1, 2003. At the time, current employees were given a one-time choice of shifting to the cash balance plan or remaining in FedEx's traditional pension plan.

Under the change announced Tuesday, employees who decided to stay in the traditional plan in 2003 will—effective June 1, 2008—earn future pension benefits through the cash balance plan.

Under the cash balance plan, employees receive annual pay-related credits based on points that are a

combination of age and service. Those credits range from 5% to 8% of pay. Additionally, employees' account balances are credited with interest based on a U.S. Treasury bill index.

Certain eligible employees age 40 and older moving to the cash balance plans will receive additional pay credits.

Aside from expanding the cash balance plan to all eligible employees, FedEx is improving its 401(k) plan. Effective Jan. 1, 2008, FedEx will match 100% of employees' salary deferrals on the first 1% of pay and 50% of deferrals on the next 5% of pay. Currently, FedEx's matching 401(k) contribution is capped at \$500.

Among reasons for the pension plan changes, FedEx said, are employees' desire to make their pension benefits more portable. From the corporate perspective, there also is the need to reduce "unacceptable risk and volatility" caused by new pension funding and accounting rules, said FedEx Executive Vp and CFO Alan Graf Jr. in a statement.

"We believe these changes are the responsible thing to do and will help

See **PENSIONS** page 27

## Errors & Omissions

• Two articles in the Feb. 26 issue, "Crush of Exposure Forces Wineries to Take Steps to Mitigate Losses" and "Vintners Must Consider More

Than Wine Making," misspelled the name of Suzie Reynolds, a Napa, Calif.-based vp with surplus lines broker and general agent M.J. Hall & Co. Inc.

## Criminal conduct exclusion upheld

### Ontario court says intent not necessary to deny coverage

By **GLORIA GONZALEZ**

**TORONTO**—In a decision that curtails a possible expansion in the scope of liability coverage, the Ontario Court of Appeal overturned a lower court ruling that invalidated a criminal conduct exclusion because there was no intent to commit a criminal act.

In *R.E. vs. Wawanese Mutual Insurance Co.*, the Court of Appeal ruled that a lower court judge incorrectly applied insurance legislation and previous court decisions regarding insurance policy exclusions.

Although the homeowner's policy in the case, which was issued by

the Winnipeg, Manitoba-based insurer, specifically excluded coverage for bodily injury or property damage caused by any intentional or criminal act, the lower court judge ruled the Ontario Insurance Act and two Supreme Court of Canada decisions required the insurer to demonstrate intent to cause the injury to invoke the criminal conduct exclusion.

The act at the heart of the case was an accidental shooting of a teenage boy by his friend, who was handling a shotgun. The boy was shot in the abdomen and suffered serious permanent injuries. The friend who shot him pleaded guilty to criminal negligence causing bodily harm.

The Court of Appeal, though, said the Supreme Court decisions cited in the case were irrelevant because they only considered inten-

tional act exclusions, not the criminal act exclusion that the insurer argued applied in this case. The court also said the lower court judge mistakenly ruled that criminal negligence was not a criminal act under the exclusion clause of Section 118 of Ontario's insurance act and incorrectly interpreted the section as a limitation on the criminal act exclusion in the policy.

The Court of Appeal decision means that both intent and the criminal act do not have to exist to trigger the exclusion, insurance lawyers said.

"On the law, the Court of Appeal made the right decision," said Paul Martin, a senior partner in the litigation group of Fasken Martineau in Toronto.

The ruling clarifies that when

See **CANADA** page 28

## Fathers are more likely to utilize work-life programs marketed to men

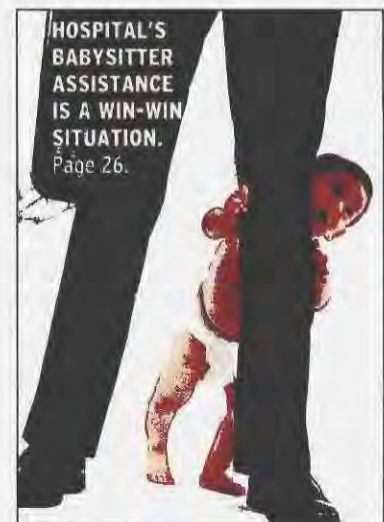
### Companies have been focused on providing benefit to women

By **SALLY ROBERTS**

**PHOENIX**—Employers that want to be more father-friendly need to provide work-life policies and programs that are tailored to men, a consultant advises.

Although employers may provide gender-neutral work-life balance programs to all employees, when it comes to actual utilization of the programs, working mothers generally are more likely to take advantage of them, said Christopher A. Brown, senior vp-national programming for the National Fatherhood Initiative based in Cedar Park, Texas.

But as more working fathers share in parenting and domestic responsi-



bilities, they are becoming more "confused" and "stressed," Mr. Brown said during a session at the 2007 Work-Life Conference & Exhibition presented by WorldatWork and the Alliance for Work-Life Progress.

"That doesn't necessarily surprise us, but what it tells us is that the time is right for this kind of work," he said, referring to father-specific work-life programs. "I think mothers are struggling with this issue as well, but because moms have been working on this for many, many more years than dads have, and companies have been focused more on moms than dads over time, you've got a bunch of confused dads out there in the workplace and that really has a negative effect on the company."

Programs designed for fathers are necessary for a variety of reasons, Mr. Brown said. Not only do men and women parent differently, but men and women approach work-life balance differently due to cultural dynamics, he said. For example, cultural conventions often encourage working mothers to

See **DADS** page 26

OBJECTS IN MIRROR  
**ARE A LOT CLOSER**  
THAN THEY APPEAR.



**WAUSAU COMMERCIAL AUTO AT WORK.** While looking at the claim history of a food distributor we insure, we noticed a number of issues with its fleet safety. During the previous two years there had been 15 accidents, including a few sideswipes, that accounted for almost \$62,000 (nearly 50% of total costs). Part of the problem was poor visibility, especially when changing lanes. This was easily remedied by installing fender-mounted elliptical mirrors on all of the trucks. Another problem was finding the right drivers. With our help, they established new hiring methods

(including background checks and road testing) and formalized the driver selection process. As a result, even with a significant increase in annual mileage, the number of accidents dropped 30% and dollar losses dropped 60%. And thanks to fewer collisions, the delivery schedule ran smoother as well. It's all part of Wausau TotalValue<sup>SM</sup> and our commitment to lowering your total cost of risk. And it's backed by the financial strength of the Liberty Mutual Group. To learn more, visit [wausau.com](http://wausau.com) or contact your Wausau representative.



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## Next BI webinar spotlights CDHPs

*Business Insurance* is hosting a free Online Executive Forum™ webcast on March 20 on "Mapping Consumer-Driven Health Care: Strategies to Drive Enrollment and Employee Understanding."

Consumer-driven health plans are the newest weapon in employers' arsenal in the war against runaway health care costs, and their popularity with employees is growing. Join *Business Insurance* Senior Editor Joanne Wojcik for an in-depth discussion of how the various types of CDHPs operate and whether they are helping save money by making employees better

health care consumers. Participants will hear expert viewpoints and can ask questions during this live event, March 20 at 11 a.m. EDT.

Panelists will include:

- Meredith Baratz, vp-market solutions in New York for Definity Health Inc., a pioneer in the development of the consumer-driven health plan and now part of UnitedHealth Group Inc.

- Jim Dwyer, vp of global benefits at New York-based American Express Corp., which also sponsors a type of CDHP.

- Jay Savan, a principal at Towers Perrin in St. Louis specializing in

development of consumerism initiatives.

- Mark Snyder, director of benefits at Toledo, Ohio-based Owens Corning Corp., which has offered a CDHP since January 2004.

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Ms. Baratz



Mr. Dwyer



Mr. Savan



Mr. Snyder



Ms. Wojcik

## Commentary

# Airline problems really aren't anything new



**PAUL WINSTON**

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

Some Americans seem to be warming to the concept of an airline passenger bill of rights in the wake of high-profile airline blunders.

Several airplanes full of passengers were stranded for hours on the tarmac in recent months due to bad weather and a fierce resolve by the airlines not to return to the terminal. Airlines are loath to jeopardize their on-time departure records—because a flight that is parked on the ground for three hours is not considered "delayed" as long as it left the gate on time. Returning to the terminal also might force an airline to field a new crew if on-duty limits are exceeded by a delay, throwing the airline's scheduling into turmoil. So, from the airline's point of view, it might be preferable to keep people confined to a "flying sewer pipe," as one pilot terms it, for hours and hours and hours.

Legislation has been introduced in Congress that would require airlines to offer passengers the option of leaving a plane when it has sat on the ground for three hours after the door has closed. The proposals would also require airlines to provide food, water and adequate restroom facilities while a plane is delayed for such a lengthy period.

Some might think this is a new problem. But like a passenger who nods off only to awake and realize the plane returning to the same gate it left hours earlier, we've been here before.

In 1999, a Northwest Airlines flight sat on the tarmac for 11 hours, prompting a wave of calls for a passenger bill of rights.

At the time, I wrote about the deplorable quality of air travel and looking back on that column, I'm sorry to say little has changed. Let me share the warm feelings of déjà vu with you:

*"Nearly every element of the air travel experience has become increasingly unpleasant or a joke: airport services, ticket prices, overbookings, airline meals, baggage handling, seat sizes, storage space, labor strikes, and so on. Airline quality is not just bad; I think it's growing worse."*

Proof of the adage that things have to get worse before they get better.

*"First off, lines at the ticket counter are too long. By this, I mean the ratio of passengers to ticket agents on most days is about 500-to-1, and those ticket agents don't look too happy about it. Besides, navigating a maze for three hours would more than defeat the purpose of arriving an hour before my flight."*

Thanks to technology, those lines now take the shape of a 500-to-1 functioning self-serve boarding pass terminal.

*"The next hurdle is the security*

*checkpoint. I can always count on spending at least 15 minutes walking back and forth, listening to the machine beep, while being quizzed by security personnel. Keys in your pocket? Change? Wallet? Cell phone? Pager? Gum? Thermometer device? No. No. No and no. I have none of those things in my pockets because I always stuff everything but the clothes I am wearing into my bag to avoid triggering the scanner. It never works...."*

Because of tighter screening protocols and the inability to bring such terrorist devices as shaving cream, razors, contact lens solution and bottled water in carry-on bags, I now check my baggage. But I'm in the minority and the lines are just as long as I watch the befuddlement of people new to the process.

*"Once on board, I cram my belongings under my feet and settle in for the show: watching the people who seem determined to bring things on board that would barely fit in the hold of a C-130 transport plane. Just because something has a handle and wheels, I want to shout, doesn't mean you can drag it anywhere!"*

*"The flight attendants blithely watch this freight go past them at the door to the plane, but do nothing to stop it until gridlock threatens to delay their 'on-time' departure."*

I don't think the experience has changed much since 1999—if anything, air travel has become more unpleasant.

But the causes of these problems—a combination of lousy operating margins and bad winter weather—are not ones that can be legislated away. Maybe, though, legislation can ease some of the symptoms, from airlines pushing away from gates merely to preserve their fictional on-time records, to excessive ground holds, to refusing to give passengers the option of deplaning after a fixed amount of time. If airlines will not take these steps willingly, what other option is left to passengers held hostage?

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# Business Insurance OPINIONS

## Skip the rhetoric and stick to the facts

ANY CONGRESSIONAL INQUIRY into an industry's practices deserves to be taken quite seriously.

That's certainly true of the House Financial Services Committee's Subcommittee on Oversight and Investigations' ongoing review of insurers' handling of claims arising from Hurricane Katrina. The subcommittee's chairman—Rep. Melvin Watt, D-N.C.—indicated during last week's inaugural hearing that he's more interested in uncovering facts than in dealing with finger pointing. We couldn't agree with him more.

Let's face it, complaints about what claims insurers did and did not pay in the wake of the storm have been numerous, and have pulled politicians from both parties into the chorus. The temptation to play the demagogue is great and, unfortunately, some political figures just haven't been able to resist that temptation.

While that's understandable to a certain degree, it's not justified. Charges of insurer misconduct should be investigated and decided upon by facts, not overblown rhetoric like that which was unfortunately on display at times during last week's hearing.

This is serious business, and deserves a serious approach. While the issues immediately at hand concern mostly personal lines insurance, a commercial angle could emerge as the subcommittee pursues its work. We hope that the panel sticks to the facts, wherever the facts may ultimately lead.

And we firmly believe that the facts will speak for themselves; they needn't be accompanied by demagoguery.

*Charges of insurer misconduct should be investigated and decided upon by facts, not overblown rhetoric.*

## Optimistic reception to Spitzer-backed plan

INSURERS AND EMPLOYERS alike have good reason to be cautiously optimistic about New York Gov. Eliot Spitzer's proposed workers compensation reforms.

Even as the governor's compromise package would raise weekly benefits for injured workers, it promises to reduce employer costs by 10% to 15% beginning next year—and yield even greater savings over time.

Is that really achievable? Laudable as such results would be—and employers, labor unions and insurers generally are happy with the legislation—insurance industry sources note that Gov. Spitzer has not provided actuarial evidence to support such projections. As is usual in legislating, the devil will be in the details.

Workers comp is an expensive proposition for employers even in states with compensation systems that are highly efficient. Key to helping New York reduce the costs of its system is limiting the length of time a claimant can receive permanent partial disability benefits. The Business Council of New York State says 42 other states already have limits on PPD benefits.

As attorney general, Mr. Spitzer achieved swift—if not always palatable—results. We think his first major piece of insurance legislation as governor would benefit employers and insurers, and we hope New York's state lawmakers will approve sensible workers comp reform sooner rather than later.



## Letters

### Reinsurance regs require a global approach

TO THE EDITOR: The 2006 National Assn. of Insurance Commissioners Winter National Meeting was a significant milestone in the long-standing discussion of reinsurance collateral requirements in the United States.

The reinsurance regulatory reform, based upon the proposed Reinsurance Evaluation Office, will bring significant changes to the current reinsurance regulatory system in the United States. More importantly, in the discussion, several commissioners addressed the necessity of globalization of U.S. insurance regulation.

Unfortunately, the protective posi-

tion also stood out. The phrase "licensing value" raised doubts about the current strategic position of the U.S. insurance industry on trade liberalization. Indeed, to obtain an "entrance ticket" to markets is quite hard work. High costs and possibly a lot of time are needed to enter to new markets. In this way, a license might have great value.

However, as prescribed in the General Agreement on Trade in Services "Understanding on Commitments in Financial Services," reinsurance cross-border transactions should be basically free.

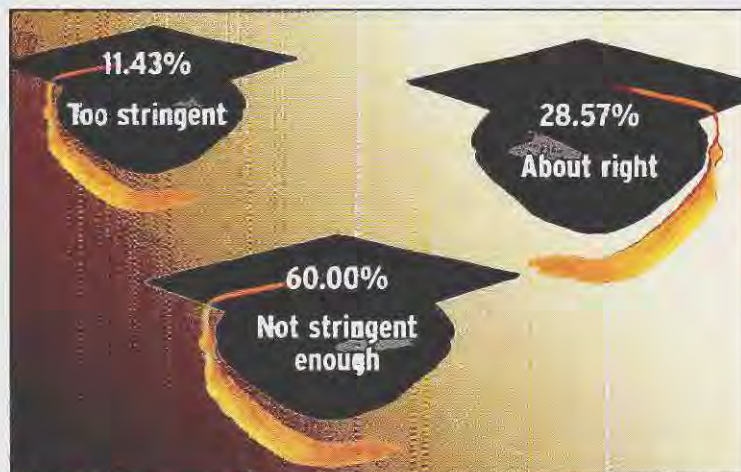
See **LETTERS** page 27

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## Online Poll at [www.businessinsurance.com](http://www.businessinsurance.com)

What do you think of the recent Nonaadmitted and Reinsurance Reform Act's "qualified risk manager" requirements, including academic degrees and/or professional experience?



**NEXT WEEK'S POLL:** Is the congressional review of insurer claims-paying practices following Hurricane Katrina warranted?

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## Coverage: Few pay all health care costs

CONTINUED FROM PAGE 11

ing, experts agree.

That was the situation in California in 2003, when workers at several large supermarket chains, which had previously covered 100% of the health insurance premium for union workers, went on strike.

"One of the big issues in the contract negotiations leading to the strike and lockout was the grocers were looking to initially reduce their contribution toward health care and wanted to get away from maintenance of benefits," said Ken Jacobs, chair of the University of California, Berkeley Center for

Labor Research and Education.

The resulting contract, which required workers to contribute 20% of the premium and imposed longer waiting periods for coverage of new workers, "really did drastically reduce health benefits for new workers in Southern California," Mr. Jacobs said.

As of last September, for example, 44,000 workers had been hired at the supermarkets since the new contract took effect in 2004 between Albertson's Inc., Ralph's Grocery Co. and Vons and members of the United Food and Commercial Workers union; of those, only 29% had worked long enough

to qualify for coverage, Mr. Jacobs said. That low rate of eligibility is a result of high turnover in the workforce, new 12- to 18-month waiting periods for individual health coverage and a 30-month waiting period for family coverage. As a result, only 7% of new workers have health care coverage under the plan, he said.

Waiting periods as well as the amount the employer contributes have been among the top issues for workers and the supermarkets as negotiations continued last month on a new contract, Mr. Jacobs said.

"I think no one wants to go back through a strike as they did three years ago," he said.

## Company gets creative to keep full cover in place

By KAREN PALLARITO

For Linda Pace, there never was any question about whether to provide full company-paid health coverage for employees of her Billerica, Mass.-based restroom hygiene product company. The only question was how.

"I came from nationalized health in the United Kingdom and I just felt, how could we possibly think of not offering 100%," said Ms. Pace, president and chief executive officer of Workplace Essentials Inc. that

employs about 70 people.

But when premiums started to escalate, Ms. Pace said she found that the only way to maintain that commitment was "to get really creative."

In 2003, the company was paying \$337.12 per month to Tufts Health Plan for individual coverage and faced a 17% increase for 2004, she said.

Thus, the company shopped for a lower rate and switched to United HealthCare at \$311 per member per month in 2004. UHC's rate grew 2% in 2005 to \$316.94. For 2006, the insurer's renewal rate would have jumped 30%, Ms. Pace said.

By that time, she had huddled with consultants who offered a new strategy to stretch the company's health care dollar. By partially self-funding medical claims, Workplace Essentials would get a much better rate and could use a third-party administrator to handle claims. Plus, the company could limit its exposure to high claims or high utilization costs by purchasing stop-loss insurance.

But first, Ms. Pace and her husband, also a business owner, had to pool their employees to create a separate corporation, Workplace Personnel Management, which handles worker payroll and benefits. Her employees are predominantly female while his 10 workers are mostly male, "and just that little mix helped to give us a better rate," explained Ms. Pace. She was told that adding men, who use health services less than women, would improve the group's demographics.

By funding claims and the cost of insurance premiums themselves, small companies can realize significant savings in plan assets over time, said Jed Brettschneider, president and CEO of HMA Direct, the Newton, Mass.-based insurance and actuarial consulting firm that assisted Workplace.

"For a small company like Workplace with only 75 or 80 full-time people on the benefit plan, they have been able to successfully accumulate 30% to 40% of their annualized total costs—the total cost of health care—several years in a row in plan surplus," he said.

The company's rate of \$358 a month per member rose just \$2 a month in 2007, Ms. Pace noted. Employees have a \$15 copay for a doctor's visit and a \$25 copay for a specialist visit—unless the care is preventive and, thus, free to the employee. Employees also pay an annual deductible of \$250 for an individual and \$750 for family coverage. On the other hand, the company has added free generic drugs as a perk through Costco Wholesale Clubs and discounts on brand name prescriptions by mail.

What's more, Ms. Pace credits the company's health benefits with helping to curb turnover. Today, more than 50% of her employees have been with the company more than five years.

"I think we've got something which is quite good," Ms. Pace said, "and it's the whole package."

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— J. Hyatt Brown, Chairman and CEO of Brown & Brown, Inc.

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# Lands' End employs onsite health facility in its battle against diabetes

*Employee wellness, program's top goal, also reduces costs*

By LOUISE ESOLA

**DODGEVILLE, Wis.**—Elizabeth Wiebe often jokes that she—along with the indoor running track, basketball court and Olympic-size swimming pool—came with the onsite health facility at Lands' End.

dence on how to lower people's risk that we made diabetes a corporate target," Ms. Wiebe said of the company's "Living Well with Diabetes" program that relies on healthy diets, exercise and constant onsite support to prevent and control diabetes. "We know that if we can get people's weight down and get them to eat right, we know we can make a difference."

The program began in early 2003 with a companywide employee screening—a voluntary effort with a

Ms. Wiebe said it is difficult to quantify how much of the savings is directly related to the diabetes program since Lands' End has always had lower-than-average increases in health care costs thanks to its 80,000-square-foot health facility—ground zero for the company's diabetes program.

On any given day, the building is staffed with part-time and contracted nutritionists, fitness trainers and other health professionals who regularly meet with employees. Lands' End charges a nominal fee—\$10 for most programs—so employees feel invested in their program.

"The cost has to do with people sticking with a program they have to pay for," she said. "The intention is not to make money, but to keep people involved."

Dr. Pamela Allweiss, a Lexington, Ky.-based consulting physician with the U.S. Centers for Disease Control and Prevention's business health strategy work group, said Lands' End has been a model for companies nationwide.

The program, which Dr. Allweiss helped develop, has been profiled as a success story at [diabetesatwork.org](http://diabetesatwork.org), a Web site managed by the Bethesda, Md.-based National Diabetes Education Program sponsored by the CDC and the National Institutes of Health.

Dr. Allweiss credits Ms. Wiebe for her dedication to Lands' End's program.

"I think that she was very proactive and really listened to the employees, and tried to cater to the company's program to the employees," Dr. Allweiss said. "It's not just the equipment and the gym; it's the program and it's the support they provide."

When not overseeing the program, Ms. Wiebe spends most of her time working with the company's benefits department, looking for ways to cut costs and improve services for employees.

"I spend a lot of time brainstorming," she said.

Up next, the company plans to create a contract with Kmart Corp.—which also is owned by Lands' End parent Sears, Roebuck & Co.—to have prescription drugs and equipment for diabetes patients delivered to the health center.

"Our hope is always to tighten up the health care piece for our people," Ms. Wiebe said. "It's funny that the goal of the diabetes program is to get people out of the program."



Premature births and complications that often affect such infants often result in health care costs that can easily surpass \$200,000 and occasionally reach \$1 million, health care experts say.

## Programs aim to reduce at-risk pregnancies and premature births

*Information, support and solutions combine in expanding offerings*

By LOUISE ESOLA

The costs of delivering a child too early, and with a lifetime of health complications that typically follow, can skyrocket quickly, making pregnancy and baby-related costs among the highest in the insurance arena, experts say.

Dr. Pamela Hymel, medical director for integrated health at San Jose, Calif.-based Cisco Systems Inc., reported that about 50% of the company's medical claims costs in 2006 were related to pregnancy.

That's why experts say it's common for most companies, such as Cisco, to include some form of voluntary pregnancy wellness program as part of their benefits plan, even doling out attractive incentives—from gift certificates and new baby necessities to cash—to entice women into signing up. And more and more, insurance companies are polishing their programs to avoid the hefty costs to employers.

A baby that is born before 37 weeks is considered premature and often suffers a list of ailments due to underdevelopment, leading to lengthy hospital stays and a plethora of tests and monitoring.

Cindy Gates, Baltimore-based vp in clinical consulting for Aon Consulting, has seen tabs run as high as \$200,000; others in the field say costs can run well past \$500,000.

"The big key (for businesses) is not having a 24-week baby being born and all the costs associated with that," Ms. Gates said. "This can be very costly, and that is just getting them out of the intensive care unit. Typically these children have more problems later on."

According to the March of Dimes, a White Plains, N.Y.-based nonprofit that aims to improve the health of babies, employers pay nearly 15 times more for premature babies in their first year than for babies born full-term at 40 weeks or more.

"Maternity could be the biggest health expense for companies with a lot of employees of childbearing age...All it takes is one premature baby to reach a million in costs," said Helen Darling, president of the Washington-based National Business Group on Health. "I don't know any employer that doesn't have a program that identifies high-risk pregnancies. The programs are so important and have such a huge impact."

The goal, according to experts, is to provide pregnant women with a wealth of information, track pregnancies, look for the red flags that could lead to a premature birth or health complications, and offer preventative solutions and support—all in an effort to produce a healthy child and avoid expensive bills.

Research by and large shows that women who receive adequate prenatal care and monitoring produce healthy babies. One extensive study by Baltimore-based Johns Hopkins Medical Institutions, for example, found that as little as one prenatal visit can decrease the risk of a premature birth.

Citing the studies, most prenatal



MARK HIRSCH

"Here, everything's onsite," said Elizabeth Wiebe, Lands' End's senior manager for work-life benefits. "What we do is put wellness and health at people's fingertips."

Ms. Wiebe, senior manager for work-life benefits, started working for the direct merchandiser in 1987 when the health facility was completed at its Dodgeville, Wis., corporate headquarters.

Fresh from graduate school at the nearby University of Wisconsin-Madison, Ms. Wiebe's charge was an expansive one: help develop programs to keep Lands' End's 6,000 employees engaged in wellness activities.

Since then, the company has gained national attention in the workforce health care arena for implementing a diabetes prevention and control program—one of a number of programs at Lands' End that not only help employees but also take a bite out of rising health care costs.

"There is so much published evi-

\$50 incentive—that found 20% of those tested were at risk for diabetes.

"That was no different than the rest of the country or the rest of Wisconsin, for that matter," she said.

Those at risk of diabetes were offered meetings with a nutritionist and trainer to set goals and regular sessions with peer support groups to help them along.

"Many HMOs and clinics offer this, but you have to go there," Ms. Wiebe said. "Here, everything's onsite. What we do is put wellness and health at people's fingertips."

Since 2003, Lands' End has seen its health care costs increase as little as 2% to 3% annually, Ms. Wiebe said. At the same time, average health costs nationwide rose at three to four times that rate.

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See PREGNANCY page 19

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## LARGEST PBMs BY NUMBER OF PRESCRIPTIONS

Ranked by the number of prescriptions filled in 2006

Medco Health Solutions Inc.	553,400,000*
Express Scripts Inc.	519,500,000
Caremark Rx Inc.	516,507,000
HealthTrans	90,000,000
MemberHealth Inc.	51,797,743

\*Unadjusted claims.  
Source: BI survey

## LARGEST PBMs BY WORKERS COMP LIVES

Ranked by the number of workers compensation lives enrolled

RESTAT L.L.C.	1,125,111
National Pharmaceutical Services	200,000
Express Scripts Inc.	168,000
BioScrip	10,000

Source: BI survey

## Ranking

## Largest prescription benefit managers

Ranked by 2006 revenues from unbundled PBM services

Rank	Company/Address	Phone/Fax/Web site	Parent	PBM revenues	Total staff	Total clients	Covered lives	Principal officer
1	Medco Health Solutions Inc. 100 Parsons Pond Drive, Franklin Lakes, N.J. 07417	201-269-3400 <a href="http://www.medco.com">www.medco.com</a>	-	\$42,500,000,000	15,500	N/A	60,000,000 <sup>1</sup>	David B. Snow Jr., chairman/CEO
2	Caremark Rx Inc. 211 Commerce, Suite 800, Nashville, Tenn. 37201	800-633-9509 Fax: 615-743-6597 <a href="http://www.caremark.com">www.caremark.com</a>	-	\$36,800,000,000	13,000	N/A	N/A	Edwin M. Crawford, chairman/president/CEO
3	Express Scripts Inc. 13900 Riverport Drive, Maryland Heights, Mo. 63043	314-770-1666 Fax: 314-702-7059 <a href="http://www.express-scripts.com">www.express-scripts.com</a>	-	\$17,660,000,000	12,700	16,000	50,000,000	George Paz, chairman/president/CEO
4	RESTAT L.L.C. 724 Elm St., West Bend, Wis. 53095	800-926-5858 Fax: 262-338-5791 <a href="http://www.restat.com">www.restat.com</a>	The F. Dohmen Co.	\$1,116,321,650	115	3,698	3,497,443	Michael Clark, president
5	National Pharmaceutical Services 14301 First National Bank Parkway, Suite 200, Omaha, Neb. 68154	402-964-9030 Fax: 402-964-9004 <a href="http://www.pti-nps.com">www.pti-nps.com</a>	Pharmaceutical Technologies Inc.	\$425,000,000	85	3,850	2,200,000	Douglas M. Pick, president/CEO
6	BioScrip 100 Clearbrook Road, Elmsford, N.Y. 15013	888-818-3939 Fax: 877-347-1448 <a href="http://www.bioscrip.com">www.bioscrip.com</a>	BioScrip Inc.	\$300,000,000	900	140	7,000,000	Richard Friedman, chairman/CEO
7	HealthTrans 8300 Maplewood Ave., Suite 100, Greenwood Village, Colo. 80111	800-950-9120 Fax: 303-323-1027 <a href="http://www.healthtrans.com">www.healthtrans.com</a>	-	\$92,000,000	120	52	13,200,000	Jack McClurg, CEO
8	MemberHealth Inc. 29100 Aurora Road, Cleveland, Ohio 44139	440-248-8448 Fax: 440-248-4734 <a href="http://www.mhrx.com">www.mhrx.com</a>	-	\$38,000,000	164	973	4,477,011	Charles Hallberg, president
9	Catalyst Rx 800 King Farm Blvd., Rockville, Md. 20850	301-548-2900 Fax: 240-268-3112 <a href="http://www.catalystrx.com">www.catalystrx.com</a>	HealthExtras Inc.	\$1,150,000	N/A	1,450	3,200,000	David Blair, CEO

<sup>1</sup> Represents total covered lives. N/A=Not available

Source: BI survey

Researched by Kevin Edison and Karen Tucker

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**MOTHER AND CHILD**

*A sampling of pregnancy-related coverage available from insurers:*

**AETNA INC.**  
**Moms-to-Babies Maternity Management Program**

**INCENTIVES:** Prepaid phone card and refrigerator magnet detailing signs of preterm labor. High-risk mothers who stay with program are provided a baby bib and an ABCs of baby care card.

- Survey identifies risks that could lead to an unhealthy pregnancy.
- Provides high-risk mothers with calls from nurses to monitor care and ensure she takes appropriate steps.
- Provides access to nurse helpline, Women's Health Web site and literature about pregnancy and infant care.
- Provides nurse outreach to physicians as needed.

**CIGNA HEALTHCARE**  
**Healthy Pregnancies-Healthy Babies**

**INCENTIVES:** \$125 to \$250 cash, depending on employer's program.

- Conducts survey to identify high-risk mothers.
- Contacts pregnant women periodically to help identify risk factors.
- Provides 24-Hour Health Information Line, which offers live nurses or recorded audio advice on 1,000 pregnancy-related topics.

**BLUE CROSS OF CALIFORNIA**  
**Baby Connection**

**INCENTIVES:** n/a

- Prescreens to help identify pregnancy risk factors.
- Provides health coaches to answer pregnancy-related questions and deal with medical conditions that may arise.
- Provides information on common pregnancy symptoms, warning signs for unhealthy pregnancies, diet and exercise, and tips for handling discomfort.
- Provides prenatal care checklist to monitor care; a booklet to record family history; a journal to record symptoms; and workbooks to organize prenatal care, goals and birthing plans.

**BLUE CROSS & BLUE SHIELD OF MINNESOTA**  
**Healthy Start**

**INCENTIVE:** \$50 gift certificate

- Screens mothers who may be at risk for complications during pregnancy.
- Provides nurses and telephone support for at-risk pregnancies.
- Provides pregnancy guidebook and other educational resources.

**UNITED HEALTHCARE**  
**Healthy Pregnancy Program**

**INCENTIVES:** n/a

- Provides information on identifying risk factors and a phone survey to identify high-risk pregnancies and special needs.
- Provides personalized support.
- Provides a 24-hour hotline to speak with qualified nurses.

# Pregnancy: Prenatal programs spend now to save later

CONTINUED FROM PAGE 16

programs are sponsored by insurance companies as part of overall wellness and disease-management packages that are attached to health care policies. For that reason, it's difficult to break out the cost of the prenatal programs, said Ms. Gates, who estimates that the costs can run 70 cents to \$1 per employee per month.

Insurers, meanwhile, declined to elaborate on program prices.

According to Steve Raetzman, an Arlington, Va.-based senior group health consultant with Watson Wyatt Worldwide, employers

almost always prefer early pregnancy care.

"There is a much higher willingness for employers and insurers to sponsor these types of services for mothers because the tools...the low costs and the quality are there," Mr. Raetzman said.

So what can pregnant employees expect?

Mr. Raetzman said programs have evolved in the past 10 years from an impersonal prenatal health book or pamphlet mailed to pregnant employees to today's 24-hour nurse hotlines and comprehensive Web sites that provide information on everything from what to eat to

**'Maternity could be the biggest health expense for companies with a lot of employees of childbearing age...All it takes is one premature baby to reach a million in costs.'**

Helen Darling,  
National Business Group on Health

how to manage side effects such as morning sickness.

Those who opt to sign up for a program through their insurance provider often participate in a lengthy phone interview with a medical professional trained to identify risk factors, such as whether the mother has existing health concerns or whether she engages in dangerous behavior or work. Participants are referred to specialists as needed.

Technology has also helped enhance programs with at-home monitoring for pregnant women

See **PREGNANCY** next page



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## Pregnancy: Programs peg potential risk

CONTINUED FROM PREVIOUS PAGE

who are identified as high-risk for premature delivery, according to Ms. Darling.

"(These programs) will usually offer whatever is needed to aid the mother," Ms. Darling said. "(Insurers) try to establish a relationship during the pregnancy so they can find out if something is going wrong. There's a lot of mothering going on for new mothers."

### Improving offerings

There also are some improvements on the horizon for major insurers.

Bloomfield, Conn.-based CIGNA Healthcare, for example, this year launched an initiative that revamped its longtime pregnancy wellness program into one that covers pregnancy and maternity from preconception to postpartum.

Its program—Healthy Pregnancies, Healthy Babies—offers pregnant employees a wide range of intervention, depending on the mothers' risk factors. For example, a mother who has already had a premature birth or who smokes—two factors that increase the chances of a premature delivery—will have frequent contact with a health counselor or other interventions, said Dr.

David Ferris, a medical officer for clinical program development who works in CIGNA's headquarters.

"The goal is to identify risk and work collaboratively with the mother," Dr. Ferris said.

A Hartford, Conn.-based Aetna Inc. spokeswoman said the company is now seeking ways to improve its Moms-to-Babies Maternity Management Program, but declined to describe specific changes.

She said Aetna wants to improve the program, which already offers a laundry list of interventions and counseling, based on further research on preventing unhealthy pregnancies.

## Insurers integrate dental, medical benefits

Enhanced benefits aimed at specific risk groups

By LEIGH PAGE

The recently found connection between oral health and medical health has led some insurers to revamp their dental benefits offerings to include integrated dental and medical products—a step that may convince some self-insured employers to consolidate coverage behind one insurer.

Last year, insurers, including Hartford, Conn.-based Aetna Inc. and Philadelphia-based CIGNA Corp., began programs that address the link between dental and medical health that has emerged from scientific studies.

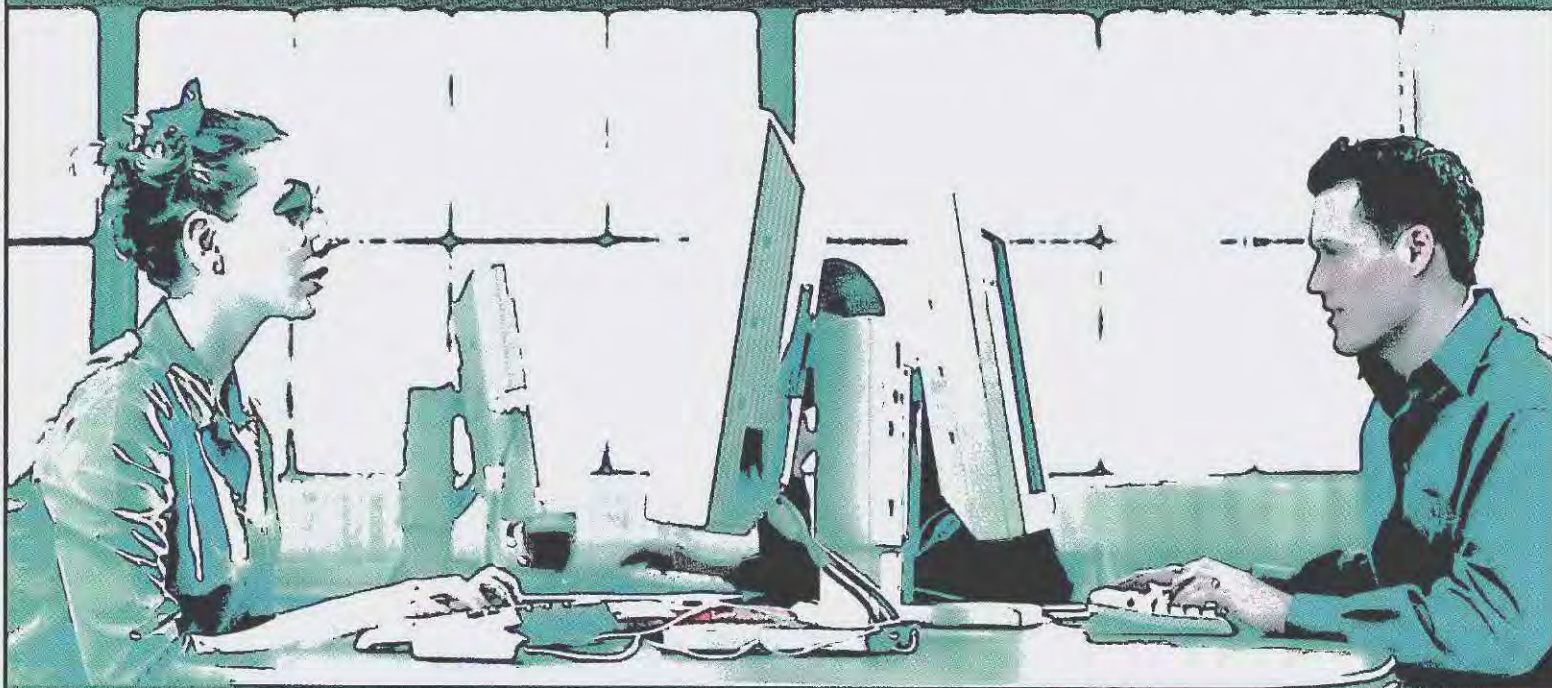
In a number of studies in recent years, researchers have linked periodontal disease—a gum infection that can lead to loss of teeth—to health problems for three groups: pregnant women, diabetics, and those at risk of heart attacks or stroke. Research has found that bacteria from the mouth travel through the bloodstream and affect other parts of the body.

The dental insurance offerings are limited to plan members in the three risk groups highlighted in the research. At no cost to the member or to fully-insured employers, some insurers now cover services such as

Continued on next page

## Mapping Consumer-Driven Health Care: Strategies to Drive Enrollment and Employee Understanding

A Business Insurance Online Executive Forum™



Join Business Insurance Senior Editor Joanne Wojcik on March 20, 2007, along with our expert panel, for a webinar devoted to analyzing how well consumer-driven health plans are working.

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### Panelists Include:

- **Meredith Baratz**, VP Marketing Solutions, Definity Health, New York
- **Jim Dwyer**, VP Global Benefits, American Express Co., New York
- **Mark Snyder**, Director of Benefits, Owens Corning Corp., Toledo, OH
- **Jay Savan**, Principal, Towers Perrin, Dallas, TX

### QUESTIONS TO BE ADDRESSED:

- How should plan and premium contributions be structured to encourage enrollment?
- What are some of the more effective educational components being used?
- How do HRAs compare with HSAs?
- How do employers convert from HRAs to HSAs under the new federal regulation?

### SAVE THE DATE:

**Tuesday, March 20, 2007**

**TIME: 11:00 EDT / 8:00 PDT**

### WHO SHOULD ATTEND:

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- Health Insurers, Brokers & Consultants
- Regulators

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### ENHANCED DENTAL OFFERINGS

Highlights of dental coverage offered by various insurers:

#### **AETNA INC., HARTFORD, CONN.**

**NAME OF PROGRAM:** Dental/Medical Integration Program

**START DATE:** January 2007

**COVERED CONDITIONS:** Pregnant women, members with diabetes and heart disease.

**INSURANCE COVERAGE TO QUALIFY:** Both dental and health.

**SERVICES:** Three annual cleanings, scaling and root planning and periodontal maintenance; treatment with antimicrobial agents (not available to pregnant women); free outreach program for employees.

#### **BLUE CROSS BLUE SHIELD OF MICHIGAN, DETROIT**

**NAME OF PROGRAM:** Free Dental Cleaning.

**START DATE:** January 2006

**COVERED CONDITIONS:** Pregnant women, members with diabetes and coronary artery disease.

**INSURANCE COVERAGE TO QUALIFY:** Both dental and health.

**SERVICES:** Scaling and root planning and follow-up cleaning.

#### **CIGNA CORP., BLOOMFIELD, CONN.**

**NAME OF PROGRAM:** Oral Health Integration Program.

**START DATE:** January 2006

**COVERED CONDITIONS:** Pregnant women, members with diabetes, heart disease and stroke.

**INSURANCE COVERAGE TO QUALIFY:** Both dental and health.

**SERVICES:** Scaling and root planning and follow-up cleaning.

## BENEFITS MANAGEMENT

CONTINUED FROM PREVIOUS PAGE

scaling and root planing, an in-depth cleaning; periodontal maintenance, which is follow-up care to make sure problems do not recur; and up to three dental cleanings per year (see box, page 20).

Some insurers offering the enhanced dental coverage require that plan members have both health and dental insurance with the insurer. That is the case with Aetna, CIGNA and Detroit-based Blue Cross Blue Shield of Michigan.

"Insurers see this as an opportunity to increase their sales by providing multiple products to one client," said Eric Sanner, a senior vp for health and benefits at Aon Consulting in Washington.

For example, roughly one-quarter of Aetna's 35.9 million members have dental and medical coverage. BCBSM did not provide combined medical/dental data, but said about one-quarter of its 4.7 million members had dental coverage.

Insurers say integration of dental and health products is the best way to help employers coordinate dental side services with health side savings.

At CIGNA, "integration and total health management have been a focus for the past several years," said Angela Saunders, marketing director of CIGNA Dental and Vision Care in Plantation, Fla.

"The association between oral health and systemic health is consistently demonstrated in clinical studies, and the findings are positively impacting the treatment and management of patients," said Mary Lee Conicella, Aetna Dental's national director of clinical operations.

Unlike fully insured employers, self-insured employers must pay for the extra services. Mr. Sanner says he hasn't heard of many self-insured employers signing up yet, but not because of costs, which are relatively low. Prices range from \$60 to \$150 for a cleaning, \$180 to \$300 for scaling and root planing, and \$105 to \$225 for periodontal maintenance. Rather, he says many self-insured employers do not have unified medical and dental coverage, and larger companies likely have the resources to administer two contracts rather than one.

#### Cost reduction

By consolidating coverage, Ms. Saunders says the extra treatments cost 3 cents per member per month and reduce medical costs an average of 15% for all three risk groups at CIGNA.

Aetna quotes similar cost reductions for combined medical-dental coverage: a 9% reduction for diabetes, 11% less for stroke and a 16% decline for coronary artery disease. The data is based on a retrospective of claims of 144,000 insured patients, comparing those who received regular dental care and those who did not.

BCBSM quotes a dollar figure—\$1,500 saved in medical claims per year for diabetics and heart patients who take advantage of preventive dental care.

Aon's Mr. Sanner said he is skeptical of the quoted savings, and even the insurers say they need to be verified over time with addition-

al retrospective claims studies. Mr. Sanner also questions whether the improvements are significant enough to persuade employers to align behind one insurer. "If you look at all the things that drive health care, these things (dental problems of a few risk groups) are pretty far down the list," he said.

But Donna Sexton, director of employee benefits at Costco Wholesale Corp., in Issaquah, Wash., says the mouth-body connection persuaded the self-insured company to choose Aetna for dental and medical coverage two years ago.

In a pilot program free to Costco, Aetna nurses contacted 2,200 Costco members in the three risk groups and encouraged them to visit the dentist. Aetna is now offering simi-

**'The association between oral health and systemic health is consistently demonstrated in clinical studies, and the findings are positively impacting the treatment and management of patients.'**

Mary Lee Conicella,  
Aetna Dental

lar free outreach to other employers who sign up for its offering. Costco declined to provide data on savings.

Insurers say it is hard to measure the response rate to their offerings because not all people in the high-risk groups have been identified, and not all that need dental care seek it.

Aetna says 57% of members contacted in a 2003-2005 pilot outreach program for 500,000 members subsequently sought dental care. In contrast, BCBSM says 25,069 diabetics and heart patients were mailed coupons for free dental care last year, but only 4% actually redeemed them.

"If one person goes to the dentist because of this program, we feel that's a victory," a BCBSM

spokesman said.

New York-based MetLife, a large dental insurer, does not have a joint program since it does not offer medical coverage. Dr. Alan Vogel, a MetLife vp and national dental director, says, for an extra charge, the company can mimic other insurers' dental offerings with tailored products for employers. He says MetLife can provide specified employee groups 100% coverage for certain services and provide outreach as well.

But like MetLife's competitors, Dr. Vogel said he believes in the significance of the dental-health connection.

"People are beginning to realize that the mouth is part of the body," Dr. Vogel said.

Health care cost increases outpaced every other business expense in 2006...again.

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# Business Insurance PERSPECTIVE

## Heightened regulatory scrutiny increases need for D&O audits

By Kim Marrkand

With more than 150 different directors and officers coverage forms in the marketplace and increased scrutiny by the U.S. Securities and Exchange Commission, it is now more important than ever to ensure that any policy adequately meets the needs of your officers and directors.

The post-Sarbanes-Oxley Act world has resulted in a new corporate environment that makes D&O coverage more important for directors and officers. Indeed, a 2004 study by a leading D&O insurer found that many corporate executives expect that their directors and officers will be sued by a combination of customers, vendors and shareholders. As you contemplate renewal of your policy, a complete analysis of its provisions will go a long way toward heading off potential costly and harmful problems down the road. Whether you work with outside counsel, a broker, risk manager or chief financial officer in evaluating your current policy and in negotiating changes, there are some important considerations that should be addressed.

### Review points

- The policy should match the business needs of the directors and officers. To do that, one must understand what specific policy terms and conditions are necessary, how they have been interpreted by various courts and, in the event of D&O litigation, what duties and obligations exist under the policy. Because of recent high visibility cases such as WorldCom Inc. and Enron Corp., courts are issuing decisions that have major impacts on the scope of D&O coverage, decisions that must be borne in mind for any D&O policy renewal.

- When negotiating a policy term and/or condition, one must be able to answer the question "Does it matter?" in connection with certain language. Knowing the importance (or lack of importance) of certain language allows the parties to focus on what is material to both the policyholder and the insurer. Clarity early in the process can help avoid disputes down the road when and if a claim is filed.

- Given the ability to negotiate many of the terms, conditions and exclusions in a D&O policy and despite the best intentions of the insurance underwriter, mistakes or clerical errors can be made when issuing the actual insurance contract. In the event such mistakes are made, they typically can be resolved

during the underwriting or insurance audit process. Once a claim has been made, however, it becomes more difficult to correct any mistakes.

### How much coverage?

One of the most fundamental issues to be determined is how much and what kind of coverage is needed. The annual limit of D&O coverage that is being purchased by corporations is widely divergent, ranging from \$1 million to \$500 million. Considerations include:

- While the market has loosened considerably recently, the cost of D&O coverage can be high. Many boards want to know not only what type of coverage has been purchased for the cost, but also what type of coverage is available to be purchased. Moreover, as a result of the soft market, many insurers began to offer "entity coverage" for the company itself. This coverage can either be broad, insuring the company against a wide-range of claims, or more narrow, providing coverage for the company solely against securities litigation. While many agents and brokers view entity coverage as a must, such coverage can create serious issues and, ultimately, may significantly reduce the amount of D&O coverage that is available to directors and officers. As a result, the inclusion of entity coverage may actually defeat the main purpose of D&O insurance—namely to allow a company to obtain (and retain) top-notch directors and officers.

- Also, as insurers continue to compete for new and returning business, many insurers are introducing new D&O products that are aimed solely at protecting the personal assets of directors and officers. These products, such as Side A difference-in-conditions policies, are also a means to address the issues raised by the inclusion of entity coverage in a traditional D&O policy. It is important that boards understand the availability of these products, as well as the advantages and disadvantages of purchasing such additional D&O coverage.

Corporate directors and officers continue to face heightened scrutiny by regulators and other stakeholders, making it imperative for organizations to carefully review their insurance policies to make sure they are protected in the event of litigation. More than ever, plaintiffs are going to target directors and officers, whose potential liability and legal costs can be significant. Steps to avoid or eliminate that exposure, in addition to sound corporate governance, include a sound D&O policy.

## Products & Services

### Best releases 2007 products catalog

**OLDWICK, N.J.**—A.M. Best Co. Inc. has released its 2007 Annual Publications & Services Catalog.

In addition to the company's insurance industry-focused products, the catalog includes an introduction to Best's rating services for banks as well as insurance companies, and gives an overview of Oldwick, N.J.-based A.M. Best-hosted programs and events.

To request a copy of the catalog, call 908-439-2200, ext. 5742, or e-mail customer service at [customer\\_service@ambest.com](mailto:customer_service@ambest.com). A PDF version of the catalog can be downloaded at [www.ambest.com/sales/pdf/pscatalog.pdf](http://www.ambest.com/sales/pdf/pscatalog.pdf).

### Lexington increases terrorism coverage capacity

**NEW YORK**—Lexington Insurance Co. has increased its capacity to underwrite commercial domestic property terrorism insurance to \$250 million from \$100 million.

New York-based Lexington's increased capacity is available for commercial property with extended business exposures, including central business districts. The \$250 million in capacity will be available for commercial buildings, municipalities, retail spaces, office buildings and hotels as well.

The new capacity is available for stand-alone and embedded coverages and is available on a broad form, with no sunset provisions.

For more information, contact George Stratts, division executive and executive vp at 617-330-8433 or at [george.stratts@aig.com](mailto:george.stratts@aig.com).

### Asparity issues health plan scorecards

**DURHAM, N.C.**—Asparity Decision Solutions will issue scorecards to provide employers with information about their health plans' performance.

The scorecards use data generated from Asparity's decision support tools on health plan selection. Employer customers can now view how their health plans performed during the 2007 annual enrollment season.

The data includes five performance measures:

- Enrollment behavior to evaluate how decision support results affected a health plan's actual enrollment.
- Plan rankings.
- Adoption rates to demonstrate how often employees enrolled in a specific health plan and its actual performance.
- Estimated costs to determine how cost-effective a health plan was.
- Attribute profiles to illustrate how adequately a health plan met employees' health care needs in terms of specific product features.

For more information, visit

[www.asparity.com](http://www.asparity.com) or contact Leslie Hart, director of marketing, at 919-688-1430.

### Beazley offers nonprofits management liability cover

**FARMINGTON, Conn.**—Beazley Group Ltd. has launched a management liability policy for nonprofit organizations that includes an optional extension for event cancellation.

Beazley's Non-Profit Organization Management Liability Policy combines employment practices liability and directors and officers coverage in a policy form tailored to the needs of the nonprofit sector. In particular, nonprofit organizations can cover out-of-pocket loss associated with the cancellation of events they have sponsored. Events that can be covered include golf outings, dinners, auctions, galas, fundraisers and sporting events. The extension is offered by endorsement and multiple events can be covered.

The policy also includes a crisis management sublimit that can be used to pay for risk management or public relations expertise to minimize the potential harm to the organization due to the public announcement of the death or incapacity of key personnel, threatened bankruptcy or other litigation, withdrawal of grant funds, or sexual abuse committed by an insured person.

Insured limits of up to \$10 million are available and coverage can be obtained on either an admitted or a nonadmitted basis.

For more information, call Carrie Brodzinski, product manager, at 860-677-3750.

### IFEBP benefits publication catalog now available

**BROOKFIELD, Wis.**—Benefits and Compensation Books, a catalog of more than 150 employee benefits and compensation resources, is now available from the Brookfield, Wis.-based International Foundation of Employee Benefit Plans.

The catalog provides quick access to the expanded library of resources available through IFEBP, including books, periodicals, survey results, CDs and DVDs.

Arranged by topic, the catalog includes sections on research studies, general benefits, health care, pension and retirement plans, multiemployer plans, public employee plans, retirement planning, compensation and human resources and career development.

To receive a complimentary copy of Benefits and Compensation Books, contact the International Foundation's publications department at 888-334-3327, option 4, or e-mail [books@ifebp.org](mailto:books@ifebp.org). To view the catalog online, visit [www.ifebp.org/pdf/bookstore/bookcat.pdf](http://www.ifebp.org/pdf/bookstore/bookcat.pdf).

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Kim Marrkand is chair of law firm Mintz Levin Cohn Ferris Glovsky & Popeo P.C.'s insurance/reinsurance practice group. She is also a member of the firm's insurance bankruptcy group and is based in the Boston office.

# China: Risks & Rewards

## BUSINESS INSURANCE SPECIAL REPORT

Issue: March 26 | Ad Close: March 14

China's emergence on the global economic stage may be the biggest business opportunity of this generation. *Business Insurance* will uncover the opportunities and explore the challenges this presents for the commercial insurance industry and report on:

- China's intellectual property laws and what they mean for risk managers;
- Workplace safety and transportation issues and their impact on business operations;
- Business infrastructure obstacles that complicate companies' efforts to start or expand operations in China.

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A basic understanding of contract language is desirable.

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Dale, Braden & Hinchcliffe, APLC - a law firm with emphasis in such fields of practice as construction defect defense, insurance coverage and coverage litigation, and insurance defense against personal injury claims, has an opening for a **Risk and Insurance Manager/Financial Analyst**. Jobsite in Los Angeles, CA. Fax resumes to George D. Dale c/o Jane Anis Shaw at (310) 398-4278.

## LEGAL NOTICE

IN THE HIGH COURT OF JUSTICE  
 (IN ENGLAND AND WALES)  
 CHANCERY DIVISION  
 COMPANIES COURT  
 No. 5204 of 2006  
 IN THE MATTER OF  
**UIC INSURANCE COMPANY LIMITED**  
 (PROVISIONAL LIQUIDATORS APPOINTED)  
 IN SCHEME OF ARRANGEMENT ("the Company")  
 (formerly **THE UNIVERSAL INSURANCE COMPANY LIMITED**)  
 AND IN THE MATTER OF THE COMPANIES ACT 1985  
 NOTICE OF EXTENSION OF THE BAR DATE TO  
 27 MARCH 2007

Following requests by a number of Scheme Creditors for additional time to complete their Claim Forms, the Scheme Officers have agreed to extend the Bar Date to 27th March 2007.

Any Scheme Creditor wishing to claim in the Scheme MUST complete and return Claim Forms (together with supporting information) in accordance with the instructions accompanying the Claim Forms so as to be received by the Scheme Officers by noon in the United Kingdom on 27 March 2007, (the "Bar Date").

If a Claim Form is not received by the Scheme Officers by the Bar Date then the Scheme Creditor shall not be entitled to assert, or receive payment in respect of a Scheme Claim against the Company, (except in relation to Scheme Claims which have been agreed by the Company and fallen due for payment on or before the Effective Date, which have been included on a Claim Form prepared by the Scheme Officers and sent to Scheme Creditors).

Copies of the Scheme and the explanatory statement required to be provided to creditors pursuant to section 426 of the Companies Act 1985 can be downloaded from the Scheme website located at [www.uic-ig.com](http://www.uic-ig.com). Alternatively, upon request, these documents may be obtained on CD or in hard copy from David Burns of Chillington International Limited, in accordance with the details below.

Any person believing himself to be a Scheme Creditor who is unclear about or has any queries regarding the Scheme, the completion of the Claim Form, this Notice, or the action they are required to take, should urgently contact:

David Burns, Chillington International Limited, Holland House, 1-4 Bury Street, London EC3A 5AW, United Kingdom.  
 PHONE +44 (0)20 7621 6369  
 FAX +44 (0)20 7621 6344  
 EMAIL [dburns@chillington.co.uk](mailto:dburns@chillington.co.uk)  
 DATED 21 February 2007

## REQUEST FOR PROPOSALS

### Metropolitan Transportation Authority (MTA)

#### REQUEST FOR PROPOSALS

MTA is soliciting proposals for Master Broker Services in connection with its Risk Financing/Insurance Program. A pre-proposal conference will be held on Monday, March 19, 2007, 11:00 a.m., 5th Floor Board Room, 347 Madison Avenue, New York, New York 10017-3739. To attend the pre-proposal conference, please call Shirlene Verzosa at 212-878-7167. Copies of the RFP, for a fee of \$250.00, may be secured from Jane Kyung, Procurement, 345 Madison Avenue, NY, NY 10017, E-Mail [jkyung@mtahq.org](mailto:jkyung@mtahq.org) or call 212-878-1149. The documents may be picked up or viewed between 9:30 a.m. - 4:30 p.m. on weekdays (except holidays). This document will be available on or about Tuesday, March 6, 2007. Proposals will be due Tuesday, April 10, 2007 at 4:00 p.m.

## LEGAL NOTICE

UNITED STATES BANKRUPTCY COURT  
 SOUTHERN DISTRICT OF NEW YORK  
 IN RE PETITION OF DAN YORAM SCHWARZMANN AND MARK CHARLES BATTEN, AS PROVISIONAL LIQUIDATORS OF INDEPENDENT INSURANCE COMPANY LIMITED.  
 DEBTOR IN A FOREIGN PROCEEDING  
 CASE NO. 01-13899 (SMR)

NOTICE IS HEREBY GIVEN THAT ON FEBRUARY 15, 2007, THE BANKRUPTCY COURT ENTERED AN ORDER (THE "ORDER") CONTINUING THE PRELIMINARY INJUNCTION ORDER PURSUANT TO 11 U.S.C. §304 ORIGINALLY ENTERED IN THIS CASE ON JULY 31, 2001. THE ORDER SHALL REMAIN IN EFFECT PENDING A HEARING SCHEDULED TO BE HELD ON FEBRUARY 21, 2008 AT 10:00 A.M. (THE "RETURN DATE") BEFORE THE HONORABLE STUART M. BERNSTEIN, CHIEF UNITED STATES BANKRUPTCY JUDGE, IN THE UNITED STATES BANKRUPTCY COURT LOCATED AT ONE BOWLING GREEN, NEW YORK, NEW YORK. ALL PAPERS SUBMITTED FOR THE PURPOSE OF OPPOSING THE CONTINUATION OF THE ORDER AFTER THE RETURN DATE SHALL BE FILED WITH THE COURT, WITH A COPY TO THE CHAMBERS OF THE HONORABLE STUART M. BERNSTEIN AND SERVED ON COUNSEL FOR THE PETITIONERS LISTED BELOW, SO AS TO BE RECEIVED AT LEAST FOURTEEN (14) DAYS PRIOR TO THE RETURN DATE. ANY PERSON WISHING TO OBTAIN A COPY OF THE ORDER SHOULD CONTACT COUNSEL TO THE PETITIONERS.

CHADBOURNE & PARKE LLP  
 ATTORNEYS FOR THE PETITIONERS  
 30 ROCKEFELLER PLAZA  
 NEW YORK, NEW YORK 10112  
 (212) 408-5100  
 ATTN: HOWARD SEIFE, ESQ.  
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## LEGAL NOTICE

IN THE HIGH COURT OF JUSTICE  
 CHANCERY DIVISION  
 COMPANIES COURT  
 No. 1086 of 2007  
 IN THE MATTER OF  
**COMPAGNIE EUROPÉENNE D'ASSURANCES INDUSTRIELLES S.A.**  
 AND IN THE MATTER OF THE COMPANIES ACT 1985 OF GREAT BRITAIN  
 SCHEME OF ARRANGEMENT  
 between COMPAGNIE EUROPÉENNE D'ASSURANCES INDUSTRIELLES S.A. and its CREDITORS  
 (as defined in the scheme of arrangement referred to below)

NOTICE IS HEREBY GIVEN that by an order dated 20 February 2007 made in the High Court of Justice of England and Wales in the above matters the Court has directed that meetings of the Creditors (as defined in the scheme of arrangement hereinafter mentioned) (the "Meetings") of Compagnie Européenne d'Assurances Industrielles S.A. (the "Company") be convened for the purpose of considering and, if thought fit, approving (with or without modification) a scheme of arrangement proposed to be made between the Company and its Creditors pursuant to section 425 of the Companies Act 1985 (the "Arrangement"). The Meetings will be held on 11 May 2007 at the offices of PricewaterhouseCoopers LLP, 1 Embankment Place, London, WC2N 6RH, United Kingdom, commencing at 11am (London time). All Creditors are requested to attend at such place and time either in person or by proxy.

Two separate Meetings will be held by the Company, one Meeting for Creditors with Notified Outstanding Claims and one Meeting for Creditors with IBNR Claims (each as defined in the Arrangement). If you are a Creditor with both Notified Outstanding Claims and IBNR Claims you will be entitled to vote at both Meetings.

Creditors may vote in person at the Meeting(s) or may appoint another person, whether a Creditor or not, as their proxy to attend and vote in their place.

Creditors are all policyholders of the Company having claims or potential future claims arising under or in connection with:

- (i) any policies underwritten on the Company's behalf by H. S. Weavers (Underwriting) Agencies Limited;
- (ii) any policies underwritten on the Company's behalf by UIC Insurance Company Limited, any reinsurance policies underwritten by the Company in Brussels, any direct non-proportional contracts of insurance underwritten by the Company in Brussels and placed with the Company by the Belgian brokers Henjrean & Cie s.a., Thilly van Eessel s.a. and Charles Brin s.a., all of which now form part of Guy Carpenter & Company, s.a.

Creditors are requested to lodge completed forms of proxy and voting forms at KMS Insurance Services Limited, 2nd Floor, America House, 2 America Square, London, EC3N 2LU, United Kingdom marked for the attention of Paul Corver by 5.30pm (London time) on 8 May 2007. Forms may also be handed in at the registration desk prior to the Meetings. Completed forms may be returned by fax and, if scanned and saved in Portable Document Format (PDF), by email. Please note that faxed and emailed forms will only be accepted if they are legible and (in the case of forms returned by email) they are received in the mailbox of the addressee and can be opened and printed by the recipient. Creditors are requested to send the originals, to be received at the above address by 5.30pm (London time) on 18 May 2007, or to hand them in at the registration desk prior to the Meetings.

A copy of the proposed Arrangement and a statement explaining the effect of the Arrangement, as well as blank forms of proxy and voting forms, may be obtained by attending at, or on written application marked for the attention of Paul Corver to, KMS Insurance Services Limited, 2nd Floor, America House, 2 America Square, London, EC3N 2LU, United Kingdom before 5.30pm (London time) on 10 May 2007. They may also be downloaded and printed from the website [www.ceai.co.uk](http://www.ceai.co.uk).

The Court has appointed Mark Charles Batten or, failing him, Neil Hayden Gayner both of PricewaterhouseCoopers LLP, to act as chairman of the Meetings and has directed the chairman of the Meetings to report the result of the Meetings to the Court. The Court has appointed John Ryan to act as independent vote reviewer for the purposes of reviewing the values placed on Claims for voting purposes and preparing a report on the reasonableness of those values for submission to the Court.

If approved by the requisite majority of creditors (or any class of them), the Arrangement will be subject to the subsequent approval of the Court.

If the Arrangement is sanctioned the Company will file a petition in the United States of America under Chapter 15 of the United States Bankruptcy Code commencing a proceeding in the United States Bankruptcy Court to aid effective implementation of the Arrangement.

Any policyholder who has any questions concerning the action he is required to take should contact Paul Corver at KMS Insurance Services Limited, 2nd Floor, America House, 2 America Square, London, EC3N 2LU, United Kingdom, tel: +44 (0) 20 7488 5460, fax: +44 (0) 870 600 7581, email: [ceaihelpdesk@kmsim.com](mailto:ceaihelpdesk@kmsim.com).

DATED THIS 27 day of February 2007

## LEGAL NOTICE

## LEGAL NOTICE

### The Taisei Reinsurance Company Limited

In the matter of

Claim Submissions in respect Reinsurance Reorganization Claims against  
 The Taisei Fire and Marine Insurance Company Limited

Following the approval by the Tokyo District Court of the Reorganization Plan of The Taisei Fire and Marine Insurance Company, Limited ("Taisei"), The Taisei Reinsurance Company, Limited ("Taisei Re") was created to handle the run-off of Reinsurance Reorganization Claims against Taisei which were assumed by Taisei Re in accordance with The Reorganization Plan ("Reinsurance Reorganization Claims"). Quest Consulting (London) Limited ("Quest Consulting") is the appointed run-off manager of Taisei Re's run-off operations by virtue of its administration agreement with Taisei Reinsurance (Bermuda) Limited, Taisei Re's appointed agent. For further details in respect of the Reinsurance Reorganization Claims, company information for Taisei Re, contact details for Taisei Re and Quest Consulting and a downloadable copy of the Reorganization Plan of Taisei, please refer to the Taisei Re website at [www.taiseire.co.jp](http://www.taiseire.co.jp).

Under Japanese corporate reorganization law, the special law concerning reorganization proceedings of financial institutions and the Reorganization Plan, eligible policyholders who hold any eligible Reinsurance Reorganization Claims may submit such claims in accordance with the Reorganization Plan. Please note that it is necessary for such policyholders to submit the eligible Reinsurance Reorganization Claims to Quest Consulting in accordance with the instructions on the Taisei Re website, if they have the intention of making a claim submission under the terms of the Reorganization Plan.

Eligible policyholders who have the intention of making a claim submission shall note the principles in respect of paid claims and the deadlines for the submission of eligible Reinsurance Reorganization Claims. Please note that Reinsurance Reorganization Claims shall be forfeited if not submitted in accordance with such principles and deadlines, which can be found on the Important Notice section of the Taisei Re website.

The Reinsurance Reorganization Claim Recognition Reference Date (as defined in the Reorganization Plan) is the last day of December 2007. Consequently eligible policyholders who have the intention of making Reinsurance Reorganization Claim submissions should make such submissions as early as possible before this date to avoid forfeiture of their Claims.

Any Creditor who is unclear about this notice or has any question should contact Quest Consulting.

The Taisei Reinsurance Company Limited  
 1st March 2007

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# International NEWS

After losing its A-level rating in 2004, Swiss reinsurer Converium has won it back.



## Converium regains A- rating from S&P

*With SCOR bidding to buy it, reinsurer has turned a corner*

By SARAH VEYSEY

**ZUG, Switzerland**—Amid an escalating battle for ownership of Converium Holding Ltd., Standard & Poor's Corp. has upgraded its financial strength rating on the Swiss reinsurer to A- from BBB+.

Zug, Switzerland-based Converium, the subject of an unsolicited takeover bid from Paris-based rival SCOR S.A., said that regaining an A-level rating marked "the full completion of Converium's turnaround."

The change to Converium's rating is the result of a long and analytical process, according to a spokeswoman for S&P, who noted that the rating had been placed under review as long ago as October. The timing of the announcement is coincidental, she noted.

S&P said in a statement that the upgrade reflects the rating agency's belief that Converium will settle with regulators in the United States over their investigation of the reinsurer's restatement, announced in 2005, to correct the accounting for certain finite reinsurance transactions (*BI*, Dec. 26, 2005). S&P said this followed an independent study

commissioned by Converium of recent settlements with the Securities and Exchange Commission over similar issues.

The rating agency said that although the cost of a settlement between Converium and the SEC is not yet certain, it believed the reinsurer's capital adequacy likely will remain consistent with an A- rating, even if it is in excess of the upper limit of settlement amounts revealed by the study.

S&P said the rating had a stable outlook, reflecting its expectation that Converium's combined ratio would be less than 100% for 2007.

While a revision of that outlook is unlikely in the medium term, according to S&P, it could be revised to negative if SCOR is successful in its takeover bid and key European clients or staff leave Converium as a result, among other things.

Converium was downgraded out of the A range by S&P in 2004 in large part because of reserve boosts needed to shore up its loss-plagued U.S. business, which was later put in runoff. The reinsurer last year sold its North American reinsurance operations to a unit of Berkshire Hathaway Inc.

Meanwhile, Converium last week said its board of directors "continues to be unanimous in its rejection

See **CONVERIUM** next page

## Cat pool backed by World Bank would help Caribbean nations

*Bermuda joins list of 18 nations forming mutual in Cayman*

By RUPAL PAREKH

**WASHINGTON**—Creation of the world's first multinational catastrophe insurance pool will help countries in the Caribbean—an area hit by one major hurricane about every two years—receive cash quickly to recover from devastation left by hurricanes and earthquakes.

In a Washington kickoff last week hosted by the World Bank Group on behalf of 18 Caribbean nations, backers hailed the Caribbean Catastrophic Risk Insurance Facility to backstop the countries, many of which are financially unable to rebuild following a disaster.

For example, when Hurricane Ivan struck the region in 2004, it caused nearly \$890 million in damage—double that of Grenada's annual gross domestic product, the World Bank noted.

The goal of CCRIF, which backers described as the first regional disaster insurance facility in the world, is to provide "access to catastrophe risk insurance that would otherwise not be available to Caribbean governments," Keith Mitchell, prime minister of Grenada, said in a statement. "The fact that 18 countries have agreed to participate speaks volumes about the necessity for this facility."



CCRIF is seeking incorporation as a special-purpose vehicle in the Cayman Islands and plans to operate like a mutual insurance company, said Olivier Mahul, senior insurance specialist in Washington for the World Bank.

Jamaica-based CGM Group has been appointed to oversee CCRIF and advise on risk transfer strategies.

Sagicor Financial Corp. in the Cayman Islands has been appointed captive manager for the facility.

Much like a business interruption policy, Caribbean governments can purchase catastrophe

coverage with claims being paid based on a parametric index linked to the intensity of an event rather—not specific losses.

Participating countries must pay an entrance fee equal to one year's premium at the time of joining the facility.

By pooling their risks into a single, larger and more diversified risk portfolio, participating countries can cut their premiums by up to 40%, the World Bank said.

Premiums, which will vary based upon each country's risk profile,

See **CCRIF** next page

## Hannover securitizes its retro risk

By JUDY GREENWALD

**HANNOVER, Germany**—Hannover Re Group is securitizing €1 billion (\$1.31 billion) of its reinsurance recoverable risks in an attempt to reduce its default risk.

The transaction represents the first time a so-called fully secured, synthetic collateralized debt obligation structure has been applied to a portfolio of credit risks associated with insurers and reinsurers, according to the reinsurer. Hannover worked with Paris-based corporate investment bank Société Générale in structuring the deal.

Under the structure, Hannover Re's credit risk from its retrocessional coverage placed with other reinsurers is transferred to a special-purpose entity through a credit default swap.

The special entity used by Hannover Re is Merlin CO 1 B.V., which is domiciled in the Netherlands. Merlin will issue notes that are credit-linked to a portfolio initially comprising about 100 entities whose business relates wholly or partly to insurance or reinsurance, according to a Feb. 5 presale report prepared by rating agency Standard & Poor's Corp.

At closing, the note proceeds will be invested in a guaranteed investment contract.

The securities issued as collateral through Merlin are split into four tranches rated AAA, AA, A and BBB by S&P and have a scheduled maturity of five years. A payment to Hannover Re, after allowance for its deductible, is triggered by a retrocessionaire's insolvency.

"With this transaction, Hannover Re has effectively immunized itself against a potential credit risk," explained Hannover Re Chief Executive Officer Wilhelm Zeller in a statement.

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## CCRIF: Cat pool backs Caribbean nations

CONTINUED FROM PREVIOUS PAGE

start at \$200,000 per year with \$50 million in limits for each insured hazard.

The facility intends to retain part of its risk, having raised \$47 million from donors that include governmental agencies in Bermuda, Canada, France and the United Kingdom; the Barbados-based Caribbean Development Bank; and the World Bank. The funds will be used to pay setup costs and reinsurance, among other expenses.

The CCRIF is seeking \$80 million to \$100 million of reinsurance, but the facility also could seek securitization through the capital markets, said the World Bank's Mr. Mahul.

In the event a country chooses to exit the risk pool—or defaults on its annual risk premium—that country would lose its coverage and the premium for the remaining countries would need to be readjusted. Remaining countries' premiums could be increased, although reserves may offset some of the rise.

The World Bank has pledged \$27 million to finance premiums for three years for selected countries—most likely Dominica, Grenada, St. Lucia and St. Vincent, Mr. Mahul said.

### Looking to the future

While only sovereign governments can access coverage through CCRIF, it could at a later date

open to domestic insurers seeking catastrophe reinsurance, officials said.

Additionally, CCRIF will act as a pilot project for possible replication by other regions such as the Pacific Basin.

The 18 countries that have signed up for CCRIF include Anguilla, Antigua and Barbuda, Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, the Cayman Islands, Dominica, Grenada, Haiti, Jamaica, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Trinidad and Tobago, and Turks and Caicos Islands (see map, previous page).

The facility is expected to offer coverage before the start of the Atlantic hurricane season in June.

## Converium: Unsolicited offer from SCOR rejected

CONTINUED FROM PREVIOUS PAGE

tion" of SCOR's offer for the company.

Converium said late Monday that it believes SCOR's unsolicited offer of 21.10 Swiss francs (\$17.11) per share failed to recognize the value of Converium's franchise.

SCOR on Monday outlined an offer for the 67.1% of the Zug, Switzerland-based reinsurer it does not already own. Earlier this month, Paris-based SCOR had acquired 32.9% of the share capital of Converium.

A merger of the two reinsurers, SCOR said Monday, would create a

top-five global reinsurer.

Earlier, in an analyst call to explain the offer, SCOR Chairman and Chief Executive Denis Kessler said the French reinsurer believed a merger of the two groups made sense for both parties and that SCOR's offer, while unsolicited, was "friendly."

Meanwhile, Converium last week announced net income of \$57 million for 2006.

The reinsurer said its gross written premiums increased by 1.3% last year to \$1.98 billion, while its nonlife combined ratio improved to 96.3% in 2006 from 107.0% in 2005.

## Innovative solution answers hospital's nontraditional needs

### Children's Healthcare babysitter assistance a win-win for everyone

By SALLY ROBERTS

**PHOENIX**—After administering an employee survey in 2002, Children's Healthcare of Atlanta realized it needed to do a better job of addressing the dependent care needs of its primarily female employee population.

Retention rates, job vacancy rates and return-to-work rates were not where the Atlanta-based hospital system wanted them to be, nor were the utilization rates of existing dependent care programs that included childcare centers, resource and referral access, and dependent care credits.

Not only did Children's Healthcare's employees express a need for quality care while at work and 24/7 access to backup care for healthy and sick dependents, they also needed help with nontraditional and seasonal care, said Alissa Grzybowski, manager work life balance at Children's Healthcare.

While the health care system, in addition to other initiatives, soon introduced a new backup care option for its employees and extended the hours of its three childcare centers to accommodate more workers, it had to be more creative in addressing the needs of its

night shift employees who wanted nontraditional child care as well as those employees who desired summer help when their children were out of school.

Speaking at the 2007 Work-Life Conference & Exhibition held in Phoenix last month, Ms. Grzybowski said she couldn't find anything in the marketplace that would help her employees needing nontradi-

helped significantly improve the hospital system's retention rates (see box) and other areas of concern.

The Web site, sittercity.com, offers a database of 150,000 house, pet and child sitters across the United States to which individuals can purchase access for about \$35 a year. While the site was not set up for corporate use, Ms. Grzybowski said Children's Healthcare worked out a corporate deal that gave all of its roughly 7,000 employees access to the database of about 3,000 sitters in the Atlanta area.

Employees can use the site to post jobs, search for sitters or go to a message board that Children's Healthcare created to share and view information about specific sitters, she said. While the hospital system pays for the access, it is up to each employee to screen the sitters, she noted.

Since launching in December 2005, the health care system's employees have found more than 400 sitters, Ms. Grzybowski said.

"Some of our employees who have utilized this have found...overnight nannies to take care of their kids through the week, and that was our primary goal in looking at this site—finding that nontraditional component," she said.

Sittercity also proved a hit with Children's Healthcare's non-Web savvy employees with seasonal dependent care needs, Ms. Grzybowski said.

### DEPENDENT CARE

Major impacts of expanded and new dependent care programs at Children's Healthcare of Atlanta.

Rates	2002	2006
Job retention	83.4%	88.6%
Job vacancy	4.9%	3.3%
Return-to-work	64%*	92%

\*First tracked in 2004.

tional care.

"Our resource and referral does a great job with in-home care agencies, but a lot of those agencies in the Atlanta area don't have that component for overnight care. So we were just grappling with what to do."

After seeing a magazine advertisement for Sittercity Inc., Ms. Grzybowski said she found the answer to many employees' nontraditional care needs.

That effort plus other programs

Children's Healthcare was having "challenges" filling summer shifts because so many employees needed the same time off to watch their children, she said.

After asking employees whether they wanted to take that time off or whether having another resource would help them balance that time and use it for a true vacation, the organization came up with a "speed sitting" event.

### 'Speed dating' for sitters

More than 200 employees came to the corporate campus on a Saturday last year to meet 50 background-checked sitters from across Atlanta, provided by Sittercity, Ms. Grzybowski said.

Similar to "speed dating," the sitters sat on the inside of a circle of tables while parents sat on the outside. Parents got the chance to meet the sitters for five minutes before a bell would ring and the parents would shift positions around the table until all 50 were met. Due to the popularity of the event, three separate shifts were held, she said.

"The intent was not that you would hire right on the spot, but that you would narrow it down from the 50 to those two people who you were really interested in and then you'd follow up with them," Ms. Grzybowski said. "Our employees had an amazing time" and more than 70% found a caregiver to meet their needs.

## Dads: Use of family benefits depends on engagement

CONTINUED FROM PAGE 4

define themselves in terms of their success at home than at work, while fathers tend to define themselves by success at work rather than at home.

In addition, "fathers group and learn differently" than working mothers, he added. "In general, men don't come together in groups to talk about being a parent. Primarily the networks we have as men and fathers are for the exchange of information and material goods. It's generally not for emotional support," Mr. Brown said.

Men also respond to different marketing images and messages than women, he said. Men respond to different colors and to different pictures that connect them with their kids.

"So if you're approaching this from a generic parenting perspective, it becomes very, very difficult to create programs and market them effectively to get men and fathers" engaged, Mr. Brown said.

Overall, he said that he has found that most work-family policies will succeed for mothers and fathers as long as employers market them

specifically to fathers. "You have to create separate campaigns and separate marketing messages to fathers," he said. Employers need to address fathers directly and tell them "it's OK for them to take advantage of the policies."

"When we've gone into corporations, one of the things we've found we have to do is communicate to the dads what their company offers," Mr. Brown said. Many times working dads have never heard about the policies because the company creates them and then expects the father to read them. "They don't do anything proactive to let the father know that these policies exist and that it is OK for them to use" them.

Mr. Brown suggests that employers become more "creative" in this area.

"The best way to communicate that message is to use men and fathers who are actually taking advantage of those (benefits) because it helps men understand that it's OK and that they can be comfortable and that the company is not going to punish them in any way for using these programs," Mr. Brown said.

## Work-Life gathering draws 380 to Phoenix

**PHOENIX**—About 380 work-life professionals came to Phoenix last month to attend the 2007 Work-Life Conference & Exhibition presented by WorldatWork and the Alliance for Work-Life Progress.

In addition to various networking opportunities, the Feb. 21-23 conference included a number of workshops on topics ranging from strategies for the aging workplace to helping managers fall in love

with flexibility, to linking wellness to incentives.

Also during the conference, the AWLP presented its highest honor, the annual Work-Life Innovative Excellence Award, to Capital Metro Transportation Authority in Austin, Texas, for its "Capital Metro Wellness Program"; the U.S. Patent and Trademark Office for its "Trademark Work at Home" program; and Mas-

sachusetts General Hospital for its "Be Fit" healthy lifestyles program.

Next year's conference will be held in conjunction with the WorldatWork Total Rewards Conference & Exhibition, May 21-24, 2008, at the Pennsylvania Convention Center in Philadelphia. For more information, go to [www.worldatwork.org](http://www.worldatwork.org).

—By Sally Roberts

# Pensions: More employers announce major changes to plan offerings

CONTINUED FROM PAGE 4

you prepare for a comfortable retirement, while at the same time protecting the company from significant financial risk," the company told its employees.

FedEx, which last year ranked No. 70 on the Fortune 100 list of largest corporations with more than \$32.2 billion in revenue, is at least the third major company recently to add or expand a cash balance plan. Earlier, MeadWestvaco Corp., a Richmond, Va.-based packaging and office products manufacturer, and SunTrust Banks Inc., the big Atlanta-based

bank, announced conversions of traditional plans to cash balance plans, which are so named because benefits are expressed as a cash lump sum.

Meanwhile, continuing its drive to reduce its retiree benefit costs and obligations, Goodyear said it is phasing out its defined benefit pension plan, as well as boosting retiree health care premiums and is no longer paying premiums for a retiree life insurance plan.

The changes, which only affect salaried employees and retirees, are expected to generate roughly \$260 million to \$300 million in after-tax savings from 2007 through 2009,

with \$80 million to \$90 million in annual savings after that.

Like many other major corporations, Goodyear is winding down its defined benefit plan, which it will freeze on Dec. 31, 2008.

Starting on Jan. 1, 2009, Goodyear will make automatic contributions based on employees' age and service to a 401(k) plan. It also will match 50% of employees' salary deferrals, up to the first 4% of pay. Currently, Goodyear offers a 401(k) plan to salaried employees, but does not match their contributions.

On the health care side, Goodyear, effective Jan. 1, 2008, will increase

premiums that current and future retirees pay for coverage. At the same time, it also will discontinue paying premiums for a retiree life insurance plan.

The changes, said Goodyear executives, are intended to increase its competitiveness while reducing its cost structure.

"These changes allow us to continue to provide the kind of compensation packages that are competitive and will attract and retain talented associates," said Kathleen Geier, Goodyear's senior vp of human resources. "They are also consistent with our goal of reducing costs in

excess of \$1 billion by 2008."

Earlier, Akron, Ohio-based Goodyear took the first step to reduce benefit obligations through an arrangement—agreed to by the United Steelworkers union—in which Goodyear will contribute \$1 billion to a special tax-exempt health care trust that will provide benefits to USW-represented retirees.

In turn, Goodyear will have no future obligation to provide retiree health care benefits, removing a \$1.3 billion projected obligation from its balance sheet and improving annual cash flow by \$145 million a year (BI, Jan. 15).

# Dole: Companies share benefits programs

CONTINUED FROM PAGE 3

ago by Chairman and Chief Executive Officer David Murdock to research and propagate the potential of a plant-based diet to improve health and prevent disease. The institute created the Corporate Wellness Toolkit from components of Dole's own successful employee wellness program. The program won the California Fit Business Award in 2005.

"We are a research and education arm, but we need to report and be a productive part of the company," Ms. Grossman said. "We may not be making money right now, but I'm hoping that ultimately...there may be a time when this could be just an independent, freestanding product."

Stamford, Conn.-based Pitney Bowes Inc. is another company that is offering its benefits innovations to other companies.

The mail services company stands to benefit financially by selling software that will operate on the platform for electronic medical records being created by Dossia, a project in which Pitney Bowes and several other employers have invested, according to a company spokesman.

Before it joined the Dossia project, Pitney Bowes also had considered patenting the company's unique "value-based" benefit design that eliminates financial barriers to preventive services and maintenance drugs as a means to reducing employee health care costs, but later decided against it, according to Dr. Jack Mahoney, corporate medical officer.

"There was interesting talk internally about whether this was intellectual property," he said. "At the end of the day, we decided there was nothing here that unique. The piece that was patented was the predictive model software, but it was leased from another company," Dr. Mahoney said.

Instead, the company's benefits executives have been touring the country to share the program's success with other employers.

"The idea is, how do you get other employers to think differently about their process? That was the background of doing the book," Dr. Mahoney said, referring to "Total Value, Total Return," which he co-wrote with David Hom, vp for employee benefits. So far, 30,000 copies of the book, which is available at no charge, have been distributed. A sequel, "Fit Benefit Design," is due out this April.

"We've been very, very open with what we have done. We're real happy to talk with people. Kick the tires, look at the numbers. Most of what we've done is more in the vein of open access," Dr. Mahoney said. "We're more interested in changing the health care system," through innovation and collaboration with other employers.

Meanwhile, St. Paul-based 3M Corp. is continuing to introduce new ergonomics products out of a division launched in the late 1990s as a result of a successful internal ergonomics education program (see related story).

New Brunswick, N.J.-based Johnson & Johnson also found a way to profit from its own employee health and wellness programs by creating

the Health & Fitness Services Division, which it sold to Health Fitness Corp. in 2003.

"It's pretty unusual for an employer to take something from their internal operation and market it to other companies unless there's a tie-in to the core business," said Steve Raetzman, east division practice director at Watson Wyatt Worldwide in Arlington, Va.

In fact, in recent years, employers have increasingly turned to outsourcing or streamlining of their noncore operations, such as benefit plan administration, "so the idea to build them up is unlikely," Mr. Raetzman said.

While Mike Miele, president of Apex Management Group in Princeton, N.J., acknowledged that "there's always been a little bit of showmanship from leading employers...they're not licensing the formats out to other companies."

Helen Darling, president of the National Business Group on Health, agreed.

"It is very unusual. Many years ago, Johnson & Johnson did that with their state of the art program and spun it off," she said. "But it might be hard for a company in a very different kind of business to do this."

"On the other hand, employers such as hospitals or other companies that have more health people on staff such as Dole might be able to monetize their 'intellectual capital' and use their sale of the new product to stimulate demand for more healthful foods," Ms. Darling said.

Regardless of whether these employers' overtures are self-serv-

## 3M ergonomic unit evolves

Since its founding in the mid-to late 1990s, 3M Corp.'s Workspace Solutions has been turning out ergonomic products that evolved from the St.

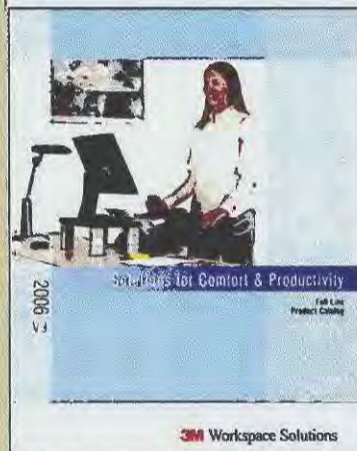
Kaleel Ahmed, business unit manager for Workspace Solutions. "3M employees have faced the same problems that other office workers face."

In some cases, the ergonomics devices were derived in part from other products that 3M had been manufacturing for years. For example, gel-filled wrist rests for computer users incorporate the medical gel originally developed for people who were wheelchair-bound.

Although Mr. Ahmed would not disclose his division's financial contribution to 3M, he did say, "we're growing globally."

After starting out focusing on office ergonomics, the division now is developing products to address the needs of other types of workers, such as telecommuters and those whose jobs require traveling. It also is examining environmental issues, such as lighting and air quality.

—By Joanne Wojcik



3M ergonomic product catalog.

Paul, Minn.-based manufacturer's efforts to reduce discomfort and injuries among its own employees.

"We always learn a lot from our own employees," said

ing, they are highly unusual given that employers, in general, have been closely guarding their own secrets to keeping health benefit costs in check out of concerns it will make them less competitive, said Gary Earl, the former benefit manager from Caesar's Entertainment Inc. Employers are finally beginning to recognize that the only way to fix

the health care system is by working together, he said.

"There's a social conscience that is now starting to take hold. There's also an economic conscience," Mr. Earl said. "People are finally starting to realize they have to start sharing, because if they don't, (the current employer-based health care system) is going to collapse."

## Letters

CONTINUED FROM PAGE 8

From the viewpoint of real reinsurance business transactions, U.S. reinsurers make a large profit from cross-border reinsurance transactions.

In transactions between the United States and Japan, insurers in the United States "sold" \$2.35 billion in reinsurance premiums but "purchased" only \$311 million from Japan.

This way, U.S. reinsurers enjoy benefits from other countries with no financial restriction such as col-

lateralization. In addition, they require some countries to open up reinsurance markets.

The ongoing discussion is a step toward the realization of reform. A number of new commissioners will engage in the discussion and they have to maintain the momentum of regulatory change, so I hope there will be notable results from the next NAIC National Meeting starting March 10.

**Mamoru Otsubo**  
Manager,  
General Insurance Assn.  
Tokyo

## Group captive mention missed

TO THE EDITOR: Don Riggan was kind enough to respond to my letter of Jan. 29 critiquing his quarterly column regarding property captives.

I'm fascinated to discover from his letter that his column "addressed group captives." I've re-read his article a number of times, and other than a parenthetical reference to "group of companies" in the first paragraph, I cannot see

any other references that would lead the average (or above average, for that matter) reader to assume this column was about group captives.

I'm just a simple risk manager, but normally I would expect to see the word "group" more than once in a 775-word article addressing group captives.

Also, his letter states that "each member potentially benefits from the good loss experience of every other member" (a benefit that was conspicuous by its absence in the original article). This is undoubtedly

ly true if one member has a loss and the others don't. The unstated corollary, or course, is that each member could end up financing the claims of another, while suffering no direct loss themselves.

I'm sure we can bat this back and forth, but I doubt that participants in property group captives are a population one could easily describe as "the majority of captive owners."

**John Bell**  
Senior Vp  
Insurance and Risk Management  
Union Bank of California

## EPL: Policies, scope of coverage differ

CONTINUED FROM PAGE 3

According to the Betterley Report's Employment Practices Liability Insurance Market Survey 2006 released in December, typical premiums for a 250-employee firm with a \$1 million limit, a \$25,000 deductible and prior acts coverage can range from \$7,500 to \$30,000 for first-year insureds. Capacity of up to \$25 million is available.

Coverage is available as part of a package that may include fiduciary and directors and officers liability, and as a standalone policy. Some observers say large employers are more likely to purchase standalone policies.

"We continue to see a higher takeup rate of monoline EPL insurance as opposed to being bundled with something else, and that is indicative of the recognition that it

has value to offer a large corporation," Mr. Gray said.

However, observers say EPL policies require particularly close scrutiny by risk managers.

There's no standard EPL form, said Mr. Gray. "They all revolve around the three major coverage items of discrimination coverage, harassment coverage and wrongful termination coverage, but the scope of coverage and how the policies operate do differ by insurer."

### Investigate EPL forms

Robert Cap, Deerfield, Ill.-based associate product manager for employment practices liability for Shand Morahan & Co., a surplus lines unit of Markel Corp., said, "The forms vary widely and often you see the lowest-priced premiums offering very restrictive coverage, so it's very much 'buyer beware.' You

can truly be lulled into thinking you're getting a good deal on premium when, in fact...the coverage is very limited."

"It's never been easier to secure coverage, but it's never been more difficult to compare coverage forms," said Mr. Cap. "It's necessary for the insured to take the time and really investigate the forms."

Trudy Hardin, Denver-based vp and product manager for Aon Financial Services Group Inc., said, though, comparing policies is not that difficult.

"There are elements of each policy that are the same," Ms. Hardin said. Every policy, for instance, will have a definition of wrongful acts. "You can compare one wrongful act definition vs. another, and that's where we bring our expertise" in helping clients, she said.

## Demand for EPLI may grow due to class action

By JUDY GREENWALD

Experts say employers are likely to face more efforts to bring class action lawsuits in light of last month's order by the 9th U.S. Circuit Court of Appeals certifying as a class more than 1.5 million women who worked at Wal-Mart Stores Inc. since 1998. The suit accuses the Bentonville, Ark.-based retailer of pay and promotion discrimination.

But observers disagree whether the class action threat is likely to translate into more employer interest in buying employment practices liability insurance.

"I think you'll see an increase in demand" as well as an increase in claims, following the Wal-Mart case, said Robert Cap, Deerfield, Ill.-based associate product manager for employment practices liability for Shand Morahan & Co. Inc.

"Any time you see a splashy case with splashy headlines, it's certainly going to reinforce the notion that this type of behavior is out there, and in turn, that always causes an increase in interest in the product and does ultimately create an increase in demand for it," Mr. Cap said.

"I think it has highlighted the need for significant limits in EPLI and therefore has increased interest" in large amounts of capacity, said Jim Gray, executive vp at Bermuda-based Max Re Capital Ltd., an EPL insurer.

While EPL insurance has gained in acceptance, its takeup rate still trails that of directors and officers coverage for public companies, Mr. Gray said.

Catherine Padalino, Warren, N.J.-based EPL product manager for Chubb Specialty Insurance, a unit of Chubb Corp., said she is not sure the Wal-Mart publicity will necessarily create more demand for EPL insurance.

"There are still a large number of smaller customers whose initial

reaction to large suits such as that is" that it will not happen to them, Ms. Padalino said.

Richard S. Betterley, president of Sterling, Mass.-based Betterley Risk Consultants Inc., agreed. "The untapped market is still the small (employer) and I don't know of a single small employer who thinks that if it happens to Wal-Mart, it could happen to them," he said. "Would it cause other large insureds to think about higher limits? Maybe."

However, "Wal-Mart is such an outlier in terms of employment size and public scrutiny that they're not necessarily" an indication of what may happen to other employers, Mr. Betterley said. "I don't know that this is all that much of a guiding light for the rest of us."

### EEOC revisions

On a separate, but related front, all employers with federal government contracts of \$50,000 or more and 50 or more employees, and all other employers with 100 or more employees, are required to submit by Sept. 30 a revised version of the Employer Information Report to the EEOC as well as the Department of Labor's Office of Federal Contract Compliance.

It is the first time in more than 40 years that the EEOC has changed the EEO-1 form, which requires employers to provide a count of their employees by job category, ethnicity, race and gender.

The new form asks for more detailed information about employees' ethnicity, and divides the previous category of officials and managers into two levels.

The EEOC uses the data to analyze employment patterns, such as the representation of female and minority workers within companies, industries or regions, according to the agency.

In addition, the Office of Federal Contract Compliance uses a statistical analysis of EEO-1 data "to select for compliance evaluations facilities where the likelihood of systematic discrimination is the greatest," according to the EEOC.

The EEOC is not requiring employers to resurvey current employees for the Sept. 30 report.

Mr. Gray said this information is readily available to the large companies with whom Max Re deals, and "getting that information in the form the EEOC wants will allow the companies to do a more in-depth analysis of their own current situations, so I think it's perfectly fine."

The new form will allow underwriters "to determine pretty quickly" whether a company has "some glass-ceiling issues" that need improvement, Ms. Padalino said.

Separately, the EEOC announced last year that it would increase its efforts to investigate and litigate systemic discrimination based on recommendations in the March 2006 Systemic Task Force Report.

In addition, the EEOC last week launched a new initiative, Eradicating Racism and Colorism from Employment, which it described as "an outreach, education and enforcement campaign to advance the statutory right to a workplace free of race and discrimination." The EEOC said it will combine E-RACE's objectives with those of existing commission initiatives, including its systemic initiative.

Observers said that although the revised EEO-1 form, which has been in the planning stages since 2003, is not directly related to the systemic discrimination report or E-RACE, information derived from the forms is expected to be used by the EEOC in these initiatives.

## Schools: Reassess programs

CONTINUED FROM PAGE 4

to prevent all student harassment and "modified" the liability standard for schools under the state anti-discrimination statute.

In a 1993 case, the court had ruled that an employer is liable under the statute if it "had actual knowledge of the harassment and did not promptly and effectively act to stop it."

In its Toms River decision, the court ruled that a school district could be held liable if it "knew or should have known of the harassment, but failed to take action reasonably calculated to end the harassment."

The court explained that its standard conforms to the anti-discrimination act's goal of eradicating discrimination, "comports with the liberal construction mandated for this remedial statute" and furthers the Legislature's objectives in other statutes designed to eliminate harassment in schools.

For New Jersey schools, the ruling means plaintiffs now face a lighter burden of proof than if they had taken the more typical route of filing a federal discrimination suit under Title IX of the Education Amendments of 1972. The U.S. Supreme Court ruled in 1999 that Title IX plaintiffs must show that schools acted with "deliberate indifference" to known discriminatory acts against them.

New Jersey's high court said imposing that "more onerous" burden of proof on students would be unfair, because workers who file similar claims under the state's anti-discrimination law face a lighter burden of proof.

In directing the state's Division of Civil Rights to send the case back to an administrative law judge, the New Jersey Supreme Court—citing a 1998 U.S. Supreme Court ruling—said the reasonableness of the school district's response to student peer harassment should be reviewed in light of the "constellation of surrounding circumstances, expectations, and relationships which are not fully captured by a single recitation of the words

used or the physical acts performed."

Despite the modified liability standard, the decision rightfully holds school districts to the same liability standard that employers face, said James Michael, a New Jersey deputy attorney general.

The New Jersey Attorney General's office represented the student.

Mr. Monahan, the school district's attorney, said he was pleased that the court modified the liability standard after deciding to hold schools liable under the state law.

While the decision could point to a new avenue of litigation against school boards in other states, "I don't think this ruling really changes much" because many schools have programs to discourage harassment, said Lisa Soronen, a staff attorney with the National School Boards Assn. in Alexandria, Va.

In addition, many courts elsewhere would view the New Jersey ruling as "going out on a limb," she said.

School district representatives—including East Brunswick, N.J., and San Francisco—agreed that the ruling likely will not have much impact on schools because of their programs.

In California, for example, school districts long have felt vulnerable to similar litigation under various state statutes, said John G. Chino, area senior vp with Arthur J. Gallagher Risk Management Services Insurance Brokers of California Inc. in Aliso Viejo.

But Mr. Stephens of the National School Safety Center still advised schools to re-evaluate their programs in light of the decision.

Child psychologist Steven Dranoff, president of D&D Industrial Consulting Inc. of Clifton, N.J., agrees. He asserts that schools' typical anti-bullying programs are flawed and ineffective, and that some co-called "zero-tolerance" programs even can lead to increased school violence.

*L.W. vs. Toms River Regional Schools Board of Education, N.J. Supreme Court, Feb. 21, 2007; No. A-111.*

## Canada: Exclusion wording

CONTINUED FROM PAGE 4

criminal conduct exclusions exist in insurance policies, a court's analysis is limited to whether the insured committed the criminal act that resulted in damage or injury, making the issue of intent irrelevant, said Kirk Boggs, a partner with Lerners L.L.P. in Toronto who represented the insurer. "It reaffirms the insurance companies' right to define the scope of coverage they provide to the public," he said.

The trial judge's decision raised concern among insurers because they thought that the wording of the criminal conduct exclusion was clear, said Wendy Roth, associate counsel for the Toronto-based Insurance Bureau of Canada, the national trade association of non-

government property and casualty insurers in Canada.

If the lower court's decision had been upheld, "it would have sent us back to the drawing board to redraft something that was very clear," she said.

While the case involved a homeowner's policy, the ruling does have relevance for commercial general liability and other business insurance policies that have criminal conduct exclusions, insurance lawyers say. "I think the point for insurers is if they want to exclude coverage for criminal acts, they should feel some comfort in doing so, using the specific wording of this case," Mr. Boggs said.

*R.E. vs. Wawanesa Mutual Insurance Co., 2007 ONCA 92.*

# Workers comp: Projected savings uncertain

CONTINUED FROM PAGE 1

Insurance Assn. in Albany, N.Y.

Mr. Henning said he is cautiously optimistic because the governor did not release any actuarial data to support his assertion that a 10% to 15% cost reduction would result.

"Maybe you can get to 10% or 15%, but right now the only hard, quantifiable thing we can see is the benefit increase," Mr. Henning said.

Under the proposal, an injured worker's maximum weekly benefit would increase from \$400 to \$500 in the first year, \$550 in the second year, \$600 in the third year, and would equal two-thirds of New York's average weekly wage in the

fourth year.

Once the maximum benefit reaches two-thirds of the average weekly wage, it would be indexed annually, the governor said.

Cost savings worth "hundreds of millions" of dollars are expected by setting a limit on the number of years that permanent partial disabili-

**'This is a major step forward toward reducing the cost of doing business in New York state. It's a big win for improving our economic climate, especially upstate.'**

Kenneth Adams  
Business Council of New York State

ty claimants can receive indemnity benefits, Gov. Spitzer said. However, their medical services would not be capped.

New York employers, especially manufacturers located upstate, have long complained that their workers comp costs are excessive, largely because the state does not limit how long claimants can collect PPD benefits.

"This is a major step forward toward reducing the cost of doing business in New York state," Kenneth Adams, president of the Business Council of New York State Inc., said of the reforms. "It's a big win for improving our economic climate, especially upstate."

The Albany-based Business Council represented employers during negotiations of the workers comp reform package.

A January report by the Business Council noted that 42 states limit the length of time that workers can collect PPD benefits.

New York employers' workers comp costs topped \$5 billion in 2004, according to the Business Council. Additionally, the Business Council, citing New York Compensation Insurance Rating Board data, noted that PPD cases accounted for just 17% of claims yet represented 81% of total system costs.

The reforms are expected to reduce costs through measures such as eliminating the state's "expensive" Second Injury Fund, which is financed through assessments that insurers pass on to employers, the governor said.

"The fund was initially set up to help injured World War II veterans, but is now instead used by some insurance carriers as a costly loophole to avoid paying claims," Gov. Spitzer said in a statement.

Eliminating the Second Injury Fund should help reduce employers' costs, said Robert J. Brewer Jr., vp of First Niagara Risk Management Inc. in Buffalo, N.Y., a brokerage unit that purchases workers comp coverage for parent First Niagara Financial Group Inc. However, he added, the cap on PPD benefits is even more significant.

Unlimited PPD benefits led many insurers to stop writing guaranteed cost programs and limit offering some loss-sensitive programs, said Mr. Brewer who hopes the reforms will renew insurer interest in New York.

He agreed that it remains to be seen whether costs will decrease by as much as 15%.

The New York State AFL-CIO called the agreement "historic" and said it would provide injured workers with the first benefit increase in 15 years. The labor group said benefit increases would begin this year.

In addition to increasing the maximum injury benefit, the reform proposal would increase the minimum benefit from \$40 to \$100 per week, according to the AFL-CIO, which participated in the negotiations.

Insurers were not invited to the negotiation table.

Although cautiously optimistic, insurers are concerned that now that the governor has promised a 10% to 15% cost decrease for employers, political pressure will be placed on insurers to deliver even if the reforms do not reduce expenses by that amount, said the AIA's Mr. Henning.

In his announcement last week, Gov. Spitzer said he and legislators have directed New York's superintendent of insurance to make certain that the system savings "are captured in premium rate reductions, beginning in the next rate setting cycle that concludes this July."

# Hub: Chairman sees private ownership as beneficial

CONTINUED FROM PAGE 1

28% premium to its 90-trading-day average closing stock price, observers say the deal was probably too good to pass up.

"Primarily, it was a really fair deal for our shareholders," said Martin P. Hughes, Hub's chairman and chief executive officer. "Apax approached me unsolicited, and I felt like I had an obligation to the shareholders," he said.

He noted, though, that Hub's new ownership structure also presents a "great opportunity" for the broker-

age, its employees and its clients.

"We spend—and I personally spend—a lot of time on our public company obligations," he said. "I probably spent, over the last three years, 60 to 70 days each year on the road meeting with the investment community, meeting with Wall Street and attending investor conferences," he said. "It's a grind, and none of it has anything to do with building the business."

As a private firm, Hub's management will be able to devote all of its

See HUB next page

## NEW YORK STATE'S COMP PLAN

Workers compensation reforms announced last week by New York Gov. Eliot Spitzer would:

- Limit the number of years that permanent partial disability claimants can receive indemnity benefits.
- Allow the Compensation Insurance Rating Board to sunset early in 2008 with the superintendent of insurance recommending how to replace it.
- Eliminate New York's Second Injury Fund.
- Establish programs to help get workers prompt medical treatment and return to work.
- Design an expedited hearing process to reduce litigation and speed worker treatment.
- Adopt an antifraud measure that includes increased penalties and the ability to shut down worksites when employers have not purchased workers comp insurance.
- Design fact-based medical guidelines by year's end.
- Increase the maximum weekly benefit from \$400 to \$500 in the first year, to \$550 in the second year, to \$600 in the third year and an amount equal to two-thirds of the state's average weekly wage in year four. It would be indexed annually in subsequent years.
- Increase the minimum weekly benefit from \$40 to \$100.

## Other brokers may follow path taken by Hub and USI

By SALLY ROBERTS

With so much private equity capital ready to invest in the insurance brokerage market, a number of other large insurance brokers will follow down the same private equity ownership path as Hub International Ltd. and USI Holdings Corp., an industry consultant predicts.

That could ultimately benefit insurance buyers as companies owned by private equity firms are not distracted by financial pressures from Wall Street and also have access to capital from their sponsors to help build their firms, other consultants say.

But private equity ownership has its downsides as well, the consultants say. Owners tend to hold on to their investments for a short time before either selling the firm or taking the company public again in an initial public offering. Such ownership change could impact buyers, they note.

"Excluding USI and Hub, an additional 10 of the top 100 brokers, at least, will be private equity-owned by the end of this calendar year," said John Wepler, president of Marsh Berry & Co. in Concord, Ohio, who said he is basing his predictions on the volume of discussions his firm has had with private equity firms and various brokerages.

"There is more than \$15 billion of private equity trying to find a home in the insurance brokerage business over the next 12 months," Mr. Wepler said.

While a bulk of those transactions will take place with privately held brokerages within the \$30 million to \$80 million revenue range, Mr. Wepler said he thinks "we'll see another public broker go private within the next six months, without a doubt."

Private equity firms are seeking to make a big return on their investments by timing the insur-

ance cycle—buying brokerages during a soft market and then selling their interest when the market hardens and the brokerages' price-earnings multiples rise, Mr. Wepler said.

This trend toward private equity ownership could ultimately benefit insurance buyers, consultants say.

"In general, a buyer benefits with private owners more so than with public owners," said John L. Ward, chief executive officer of Cincinnati-based Cincinnati Partners L.L.C.

Getting caught up in the pressures of being a public company "can work to the detriment of buyers of insurance when the focus is more on earnings releases than on customer relationships," he said.

But on the flip side, "private equity firms come into deals with a view toward their exit," he said. So clients of a private-equity owned brokerages need to consider what the ultimate exit of the private equity owner will be and how that might impact them down the road. Overall, "I think on balance, it's neutral to slightly positive for buyers," Mr. Ward said.

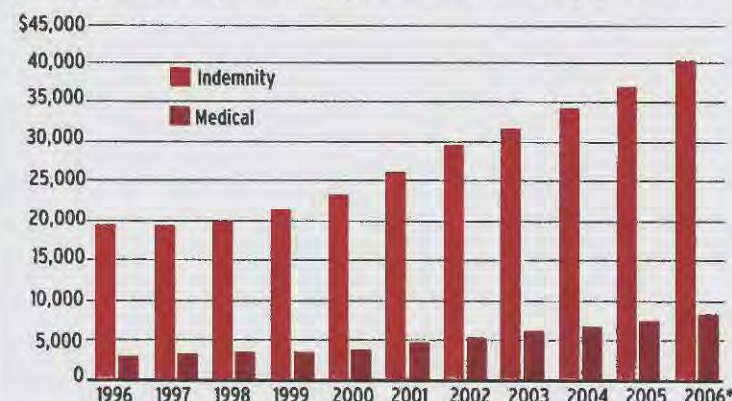
Timothy J. Cunningham, a principal with OPTIS Partners L.L.C. in Chicago, agrees.

"It's likely a nonissue on balance, or a modest positive at best" for buyers, he said. "There could be a benefit as the brokers enhance, build out or strengthen their service capabilities to attract and retain business on a long-term basis without the quarter-to-quarter earnings pressure."

"The admonition, though, for brokers like Hub, USI and potentially other like deals in the future, especially those built on acquisitions, is they need to be out in front with the client to reassure them nothing is changing or else the client may begin to feel a bit uneasy," Mr. Cunningham said.

## NEW YORK AVERAGE CLAIM COST

The average workers comp claim was projected to rise at a double-digit pace in 2006.



\*Estimate

Source: New York Compensation Insurance Rating Board

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dispute, according to California Insurance Commissioner Steve Poizner. The award, which is subject to court approval, would be paid to five companies in the Superior National Insurance Cos. group. The dispute arose over a 1998 reinsurance contract that AIG subsidiary United States Life Insurance Co. wrote for the Superior National companies.

## Miss. AG urges repeal of antitrust exemption

The attorney general of Mississippi urged Congress to revoke the insurance industry's limited federal antitrust exemption during a Wednesday House panel hearing. Appearing before the House Financial Services Committee's Oversight and Investigations Subcommittee, Mississippi Attorney General Jim Hood accused insurers of trying to "intimidate" the state's justice system and failing to pay legitimate claims after Hurricane Katrina devastated the Gulf Coast in 2005, and called on Congress to repeal the McCarran-Ferguson Act's antitrust exemption.

## ACE chief Greenberg named chairman

ACE Ltd. Chief Executive Officer Evan G. Greenberg has been elected chairman of ACE's board of directors. Mr. Greenberg—whose appointment will be effective in May at the company's annual general meeting—will replace Brian Duperreault, who retired last June. Mr. Duperreault, who currently serves as nonexecutive chairman, will remain a member of Hamilton, Bermuda-based ACE's board.

## Commercial market stable, Best says

A.M. Best Co. has revised its outlook for the U.S. commercial market to stable from negative, but warns there continues to be evidence of pricing deterioration. Best said the outlook change considers the level of rate adequacy in the sector, last year's record underwriting reserves and an expectation of stabilized reserve development over the near term.

# Aon: Restates to correct options errors

CONTINUED FROM PAGE 1

Exchange Commission filing last week. The restatements will affect reporting periods for 2003, 2004, 2005 and for the first three quarters of 2006.

Aon said last month that its audit committee had started a comprehensive review of its option grant date practices after discovering that incorrect measurement dates for certain stock options granted in 2000 and in certain prior years appeared to have been used for "financial accounting" purposes.

That review found no misconduct by current or former management or directors, Aon said in its SEC filing. But it "did reveal a limited number of instances in which options were granted as of a prior date, for example, to honor employment or other previously made contractual commitments." No evidence was found that the selection of grant dates "was motivated by pricing consideration," Aon said.

"Although the resulting changes in stock compensation expense were not material to Aon's financial statements in any year, in accordance with recent SEC guidance Aon was required to restate stock compensation expense for several

years in its regularly filed form 10-K for 2006," Aon said in a statement.

The SEC—which began focusing on companies' improper stock options practices, including backdating, in 2006—is examining more than 130 companies for improper options practices, a spokesman said last week. He declined to say whether Aon is or will be the subject of such an investigation.

Cliff Gallant, an analyst with Keefe, Bruyette & Woods Inc. in New York, said that at first glance, Aon's restatement doesn't appear to indicate any major problems.

"It doesn't appear there was anything improper done in this case," he said.

Aon has been "going through a restructuring in every sense of the word in the last two years, and part of that is updating and looking at their financial reporting and this might be part of that," Mr. Gallant speculated. "Certainly, in today's legal environment, being proactive is the safe way to go."

"We think it is an isolated mistake and not a sign of any major or systemic problem," said Bruce Ballentine, lead Aon analyst at Moody's Investor Services in New York.

However, one securities litigator who asked not to be named called

Aon's decision to voluntarily restate financials "very unusual."

"In terms of an obligation, you are not required to restate unless there is a material restatement," the source said. "Usually people don't do it voluntarily, because you don't want the stigma."

"It sounds like the company thinks that it is not material, but the plaintiffs bar might disagree," the source said.

Stock-drop lawsuits are "the real engine of the plaintiffs class action securities bar," according to William G. Passannante, a partner at New York policyholder law firm Anderson Kill & Olick P.C.

"If that's not present, most of the significant class action plaintiffs lawyers wouldn't be interested in pursuing that type of claim, because there isn't a dollar sign at the end of it," Mr. Passannante said.

Aon's shares closed Friday at \$37.56, up less than 1% for the day.

Jacob S. Frenkel, a former SEC enforcement lawyer who is now a partner at Shulman, Rogers, Gandal, Pordy & Ecker P.A. in Rockville, Md., said, "It's been well known that the options backdating cases would not necessarily result in an (SEC) action," and "this may prove to be one of those instances."

# Hub: Buyout surprises industry analysts

CONTINUED FROM PREVIOUS PAGE

resources on building the business, which will only benefit clients, he said.

Mr. Hughes and other senior management themselves committed to invest more than \$65 million of equity in the transaction, which is expected to close toward the end of the second quarter.

Observers characterize the deal not as a necessity for Hub but rather as a reflection of private equity groups' appetite for insurance brokerages.

They note that similar deals are inevitable and that insurance buyers may ultimately benefit from ownership changes (see story, page 29).

"I was very surprised. When I was asked beforehand whether I thought (a private equity buyout) was a possibility, I said, 'not with Hub,'" said Dean Evans, an equity research analyst with Keefe, Bruyette & Woods Inc. in New York. "I assumed they were going to be, long term, a public company. But at the same time, if you put me in their

shoes and say, 'We're giving you a 20% premium to where your stock is today,' it's tough to say 'no.'"

"I don't think they had to do this. I think they were a fine company and were doing well as a public entity, but with so much private equity capital in the market now, it's a compelling business case for management teams to consider a private equity transaction, especially one that affords a nice premium to public shareholders," said John Ward, chief executive officer of Cincinnati Partners L.L.C., an insurance advisory firm in Cincinnati.

"It's a chance to reload, take the company off line and then take the company to a new level" before potentially again going public, he said.

"While they've struggled with organic growth like all the other brokers, Hub is certainly not a turnaround situation," said Timothy J. Cunningham, a principal with OPTIS Partners L.L.C. in Chicago. "It's a well-run company that has implemented an effective acquisi-

tion strategy."

"Obviously, Hub's management and their new partners have a plan to enhance the value of the company before the assumed exit in three to five years, as typical with these type of private equity deals," he said.

Since its formation in 1998, Hub has embarked on an aggressive growth-by-acquisition strategy, swallowing up around 135 brokerages, including Chicago-based Mack & Parker Inc. in 1999 and New York-based Kaye Group Inc. in 2001.

Mr. Hughes said Hub's acquisition strategy will not change as a result of the deal and that the brokerage remains focused on filling out its geographic footprint, especially in the southeastern and southwestern United States.

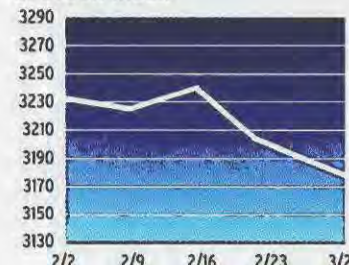
Based on \$349.2 million in 2005 brokerage revenues from U.S. clients, Hub was the 12th largest broker of U.S. business, according to *Business Insurance's* most recent broker rankings. About 25% of Hub's 2005 revenues were derived from its Canadian operations.

## Stock Index

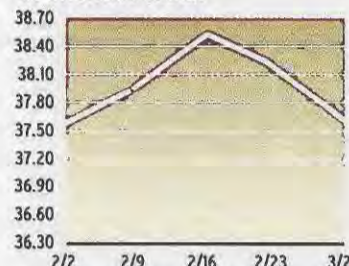
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Up-to-the-minute data for all 82 companies that comprise the BI Stock Index can be found at [www.BusinessInsurance.com](http://www.BusinessInsurance.com).

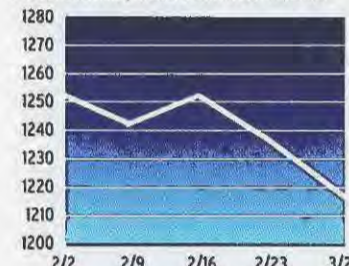
### BI STOCK INDEX



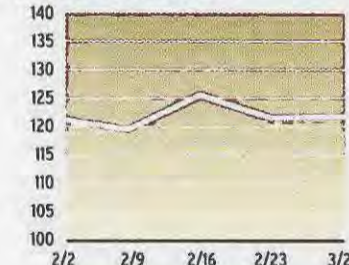
### BI BROKERS INDEX



### BI INSURER/REINSURERS INDEX



### BI MANAGED CARE ORGANIZATIONS INDEX



Percentage change of BI Stock Index vs. key indicators

Index	Value	Change
BI STOCK INDEX	3174.77	-1.02%
DOW JONES	12114.10	-4.22%
S&P 500	1387.17	-4.41%

### LARGEST GAINS

Hub International Ltd.	13.34%
UNICO American Corp.	3.49%
American Safety Insurance	2.48%
Fairfax Financial Holdings	2.39%
UnitedHealth Group	2.17%

### LARGEST LOSSES

EMC Insurance Group	-13.13%
SCPIE Holdings	-11.81%
SCOR S.A.	-10.83%
CNA Surety Corp.	-8.47%
AXA	-8.20%

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

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# Carvill

REINSURANCE INTERMEDIARY

Contributing: Roberto Cenicerros,  
Dave Lenckus, Rupal Parekh

# Business Insurance END PAGE

## Oscar winner thanks Hank

Makers of "The Blood of Yingzhou District" accepted an Oscar last week in the short film documentary category and promptly thanked the Starr Foundation and Chairman Maurice R. "Hank" Greenberg.

Producer Thomas F. Lennon said it was the foundation's generous grant that allowed him and Director Ruby Yang to complete the documentary.

While expressing appreciation for the Academy Award, Mr. Lennon said the Starr Foundation grant allowed his China AIDS Media Project to create TV public service announcements watched by more than 200 million people across China.

"The PSAs are a bigger part of the story," Mr. Lennon said.

In one PSA, Chinese NBA center Yao Ming shoots hoops with former NBA star and AIDS sufferer Earvin "Magic" Johnson. They hug and later share food.

The message is that people need to be aware of AIDS, but they don't need to shun people with the disease, Mr. Lennon said.

"The Blood of Yingzhou District" examines similar subject matter.

It follows rural village children orphaned by parents who have contracted AIDS through tainted blood. One orphan is rejected by his extended family and faces social stigma as other children are not allowed to play with him.

But then a family accepts the young boy.

Mr. Lennon declined to disclose the amount of the grant but said that 18 months of fundraising had collected less than \$50,000—until the Starr Foundation heard of and supported the project, with few bureaucratic hurdles.

It helped that Yao Ming had already been recruited for the PSAs, he added.



Academy Award winning documentary "The Blood of Yingzhou District" was in part made possible by a grant from the Starr Foundation.

## Bacterium stops shakes and quakes

The power to give you strep throat...and prevent earthquakes?

Bacteria have gotten a bad rap, but that could change—at least among property insurers—in the wake of some new research.

Scientists are touting one form of the microbes based on a study showing bacterium *Bacillus pasteurii* may be useful in protecting buildings

against quake damage, particularly the liquefaction that temblors can induce.

In laboratory tests, researchers found that *Bacillus pasteurii* causes sandy soil to bind with calcium carbonate to create a unified, stronger compound.

"Starting from a sand pile, you turn it back into sandstone," said Jason DeJong, a University of California-Davis researcher who led the study, in a statement.

The research team said the find has major advantages: *Bacillus pasteurii* presents no toxicity problems and soil-solidifying treatments could be done on existing structures.

## Deal or No Deal risk simulation

A business student at the University of Virginia in Charlottesville has learned a financial lesson about risk tolerance and chance during a research project on how both impact the business world.

As part of the project conducted by two Darden School of Business professors, Class of '08 student Hideki Inoue survived more than a week of random eliminations and was named the school's luckiest student.

His reward was a shot at a \$17,500 tuition subsidy donated by an unknown school benefactor.

But to secure the scholarship, the student had to choose between two identical briefcases—one that contained the prize and one that was empty.

Mr. Inoue, though, had a third, less fruitful option: a guaranteed prize of \$5,679 in cash.

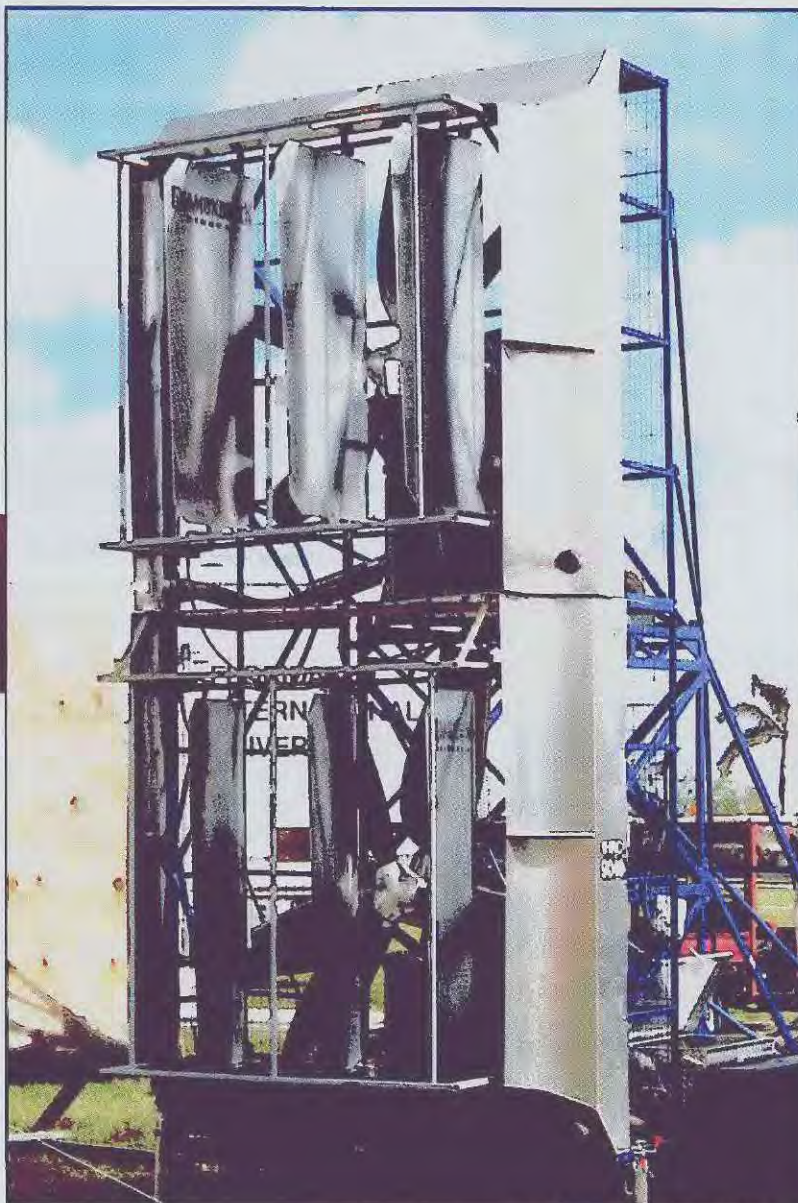
No deal.

Instead, wearing the ancestral Samurai garb of his native Japan, Mr. Inoue stood before several hundred classmates and made his selection from the two briefcases.

That's when his luck ran out—but not his grace. After the empty briefcase was opened, Mr. Inoue bowed to the crowd, which responded with applause.

Professor Sam Bodily, whose class discusses the issue of uncertainty during company case studies and who emceed the event, observed that Mr. Inoue was neither more nor less lucky than his classmates.

The professor said the event would be held again next year to gauge the vagaries of luck and random events, according to a school release.



FLORIDA INTERNATIONAL UNIVERSITY

Researchers plan to use six industrial fans to mimic the impact of a Category 4 hurricane as they study the effect of storms on buildings.

## Wind machines blow up a storm in south Florida

RenaissanceRe Holdings Ltd. is creating a storm with a newly announced catastrophe research project.

Dubbed the "Wall of Wind," the project is a joint endeavor between RenaissanceRe's WeatherPredict Consulting Inc. unit and Florida International University's International Hurricane Research Center in Miami.

The WOW facility—expected to be completed in the summer of 2007—will consist of six industrial fans that mimic Category 4 hurricane conditions in a laboratory setting to study the effects of wind and rain on various building materials and methods.

On the Simpson-Saffir scale, a

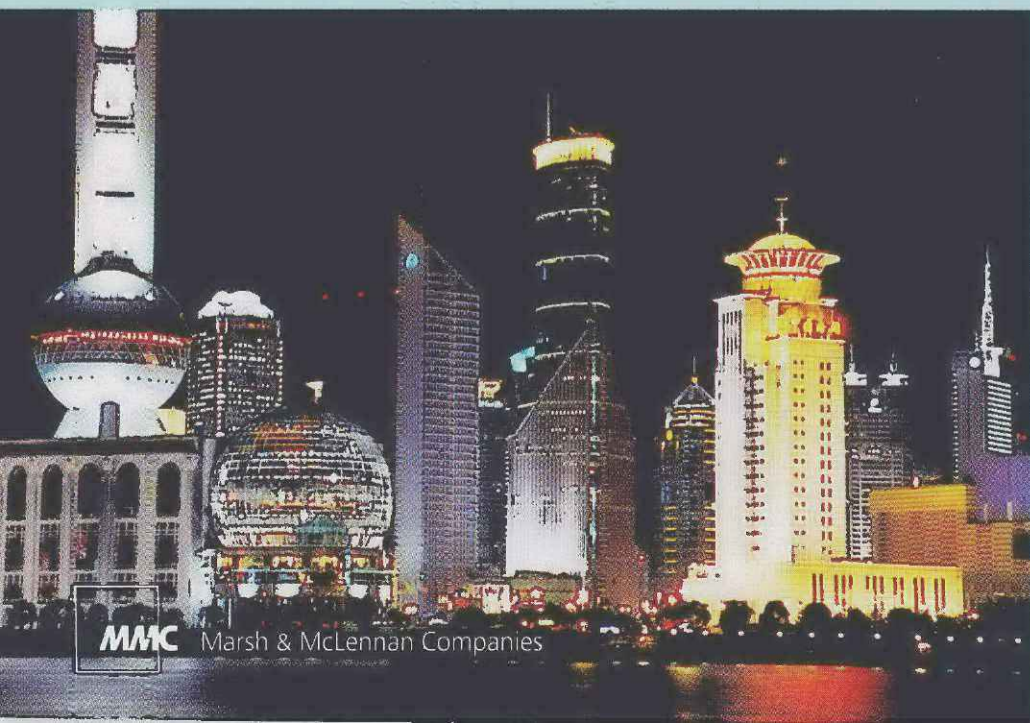
Category 4 storm carries winds between 131 and 155 mph, typically causing cosmetic damage to buildings and blowing down trees and shrubs in its path. Hurricanes Charley in 2004 and Dennis in 2005 were both Category 4 hurricanes when they made landfall in Florida and Cuba, respectively, according to the National Weather Service.

"While substantial resources have been devoted to analyzing hurricanes and improving weather prediction, little scientific research has been done on the ways in which hurricanes affect the building materials that protect us," said Craig W. Tillman, president of WeatherPredict, in a statement.



Basketball stars Magic Johnson and Yao Ming were featured in public service announcements about AIDS on Chinese television.

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YOUR GLOBAL  
STRATEGY,  
THIS WILL BE  
IMPORTANT  
TO YOU.



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