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ILS SALES

$7.42 billion in new insurance-linked securities were issued in 2013.

$7 billion-$8 billion in ILS issuance is projected for 2014.

$100 billion could flow into the collateralized risk space in the next five years.

Source: Swiss Re Ltd.; Aon Benfield Group Ltd.; Willis Capital Markets & Advisory

SECURITIZATION

Cat bond market attracts interest from investors

BY MATTHEW LERNER

Growing investor acceptance and continued ample capital should help make 2014 another strong year in the insurance-linked securities and catastrophe bond sector following a near-record 2013.

The ILS market issued $7.42 billion in new securities in 2013, second only to the $8.24 billion in 2007. The $20.2 billion outstanding at year-end 2013 was the highest ever and roughly 20% more than 2007, Swiss Re Ltd. said in a recent analysis.

"At a minimum, I do believe that based on everything we know now and the environment we're in, (2014) should at least mirror what we did last year if not exceed it," said Judith Klugman, managing director and head of ILS distribution for Swiss Re in New York. "I'm pretty optimistic we'll have a robust year again."

"Our forecast for 2014 is for

See **ILS** page 26

RISK MANAGEMENT

GLOBAL INSURERS COMPETE TO COVER WINTER OLYMPICS

Terrorism viewed as major threat for Sochi games

AP PHOTO

Adler Arena stands ready for the speed skating competitions that will take place on its track during the 2014 Winter Olympics in Sochi.

BY SARAH VEYSEY AND JUDY GREENWALD

Billions of dollars in insurance coverage written by insurers from around the globe are in place for the 2014 Winter Olympics slated to begin Feb. 7 in Sochi, Russia.

The Lausanne, Switzerland-based International Olympic Committee has cancellation coverage through a revolving insurance program placed by Aon Benfield Group Ltd. that also covered the 2006 Winter Olympics in Turin, Italy, the 2008 Summer Olympics in Beijing, the 2010 Winter Olympics in Vancouver, British Columbia, and the 2012 Summer Olympics in London.

Munich Reinsurance Co. and Swiss Re Ltd. are the lead reinsurers of that program, sources said. Both reinsurers confirmed they are involved in underwriting cancellation and abandonment coverage for

See **OLYMPICS** page 28

WINTER OLYMPICS AT A GLANCE

- The 2014 Winter Olympics, from Feb. 7-23 in Sochi, Russia, will feature athletes from more than 80 nations competing in 98 events involving 15 winter sports.
- Russia's budget for the games reportedly topped $51 billion, making it the most expensive Olympics ever, surpassing the estimated $44 billion cost of the 2008 Summer Olympics in Beijing.
- A worldwide television audience of more than 3 billion is expected to watch the games. In the United States, the games will be the first broadcast as part of a $4.38 billion deal with NBC, which bought the rights to broadcast the Olympic Games through 2020.

CLAIMS SERVICES

Sedgwick sale opens doors to growth

Capital could fast-track product development

BY SHEENA HARRISON

The pending sale of a majority of Sedgwick Claims Management Services Inc. to New York global investment firm KKR & Co. L.P. for $2.4 billion should position Sedgwick for growth but likely won't lead to immediate changes, experts say.

David North, president and CEO of Memphis, Tenn.-based Sedgwick, said in an interview the ownership change won't lead to any significant strategy or management shifts for the company, but it may provide financial backing to speed the development of products and services Sedgwick was considering before the deal was announced last week.

Under the agreement, KKR and Sedgwick management will buy the ownership stake held by private equity investors Stone Point Capital L.L.C. and Hellman & Friedman L.L.C., which bought a majority stake in Sedgwick for about $1.1 billion in 2010 from Fidelity National Financial Inc. and other investor

See **SEDGWICK** page 26

BIG BROKER DEALS
The effect of and reaction to January's merger activities.
PAGE 3

Q&A: CARY GRACE

CEO of Aon Health Exchange Solutions discusses private health insurance exchanges

PAGE 23

BENEFITS MANAGEMENT

Employers may find it cheaper to keep offering coverage than to drop health care benefits

PAGE 8

RESEARCH & DATA

Environmental liability insurance coverage, uptake, reserves and trends

PAGE 20

ENVIRONMENTAL LIABILITY RISKS

Increased capacity creates stability for environmental insurers; M&As drive environmental exposures; chemical drift poses risks for conventional farmers; E.U. may stiffen its environmental liability directive.

PAGE 14

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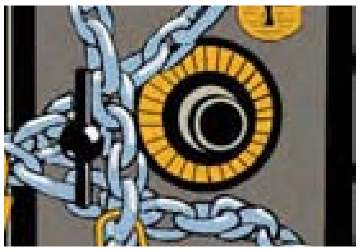
2/3/14

CONTENTS

FEATURES

MID-MARKET



COMMENTARY

OFF BEAT

SECTIONS

NEWS

RISK MANAGEMENT

HARSH WINTER WEATHER TESTS COMMERCIAL DRIVERS' SKILLS

Refresher courses can help improve safety

BY JOANNE WOJCIK

Most commercial drivers are familiar with the winter road hazards of black ice, limited visibility and drifting snow, but even the most experienced drivers were caught in massive traffic jams and accidents in the South last week when freezing precipitation paralyzed places unaccustomed to dealing with such seasonal perils.

The storm, which was blamed for at least five traffic fatalities and left behind frigid temperatures and ice-covered roads from Louisiana to the Carolinas, shows why commercial drivers need to be prepared for all kinds of hazards, experts say.

While the dangers of winter driving captured headlines last week, the most common injuries commercial drivers sustain at this time of year are due to slips, falls and musculoskeletal injuries that occur while outside their vehicles, transportation loss control experts say.

"Most over-the-road drivers are prepared for just about every type of weather they will encounter," said Jamie Wilson, Huntsville, Ala.-based senior risk engineering consultant and transportation specialist at Zurich North America. "On any given day, you can go

See **DRIVERS** page 27

AP PHOTO

Interstate 75, as well as large sections of Atlanta not accustomed to such weather, were shut down last week by a winter storm.

AGENTS & BROKERS

2014 kicks off with two large broker deals

BY MATTHEW LERNER

A recent pair of big broker buyouts is getting positive reviews from market analysts, but some aren't convinced these deals indicate a year of pricey merger and acquisition activity among brokerages.

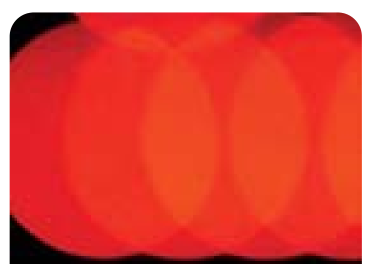
Both deals — USI Insurance Services L.L.C. acquiring 42 of Wells Fargo Insurance Services USA Inc.'s offices and Brown & Brown Inc.'s $602.5 million acquisition of Wright Insurance Group L.L.C. — make sense for the acquiring companies.

Wells Fargo Insurance Services, the fifth-largest U.S. broker with brokerage revenue of $1.6 billion 2012, said late last month it would sell the group of its smaller insurance brokerage and consulting offices to Valhalla, N.Y.-based USI Insurance Services L.L.C. USI ranked No. 10 in the most recent *Business Insurance* rankings of the largest brokers of U.S. business.

USI has 90 offices in 27 states that generated $712.5 million in brokerage revenue in 2012. Terms of the transaction, expected to close by the end of the second quarter, were not disclosed.

A few days earlier, Daytona Beach, Fla.-based Brown & Brown Inc. said it would acquire Wright Insurance of Uniondale, N.Y.

See **MERGERS** page 25



BROKER DEALS

- Brown & Brown Inc. buying Wright Insurance Group L.L.C.
- Price tag: $602.5 million
- Wright Insurance brokerage offices: 15 in 11 states
- Transaction closing: Spring

- USI Insurance Services buying a block of Wells Fargo Insurance Services USA Inc.'s brokerage division
- Price tag: Undisclosed
- Wells Fargo brokerage offices being sold: 42
- USI's brokerage division: 90 offices in 27 states
- Transaction closing: By end of second quarter

DIRECTORS & OFFICERS LIABILITY

Overloaded D&O policies can curb directors' cover

BY JUDY GREENWALD

NEW YORK — Placing entity coverage, including investigative costs, into directors and officers insurance policies may leave the executives themselves without adequate coverage.

Directors and officers are "pretty protected" through their D&O policies right now, said Dan Bailey, a member of law firm Bailey Cavalieri L.L.C. in Columbus, Ohio. The "big issue" is that "we have too much entity coverage in that policy today," he said.

Mr. Bailey said his view is that a D&O policy "should protect directors and officers first and foremost, and we should not be diluting that protection through a lot of entity-type coverages."

In addition to entity coverage, employment practices liability and other employees have been added to D&O policies in this "post-SOX world," said Ann M. Longmore, New York-based executive vice president at Willis North America Inc., referring to the Sarbanes-Oxley Act of 2002. "There's lots of ways they've been cramming more than 5 pounds of flour into a 5 pound sack," she said.

Coverage for investigative costs cannot be shoehorned into D&O policies, said Chris Warrior, London-based head of management liability for Hiscox Ltd. The coverage can be offered, he said, but it would be a corporate policy, not a D&O policy, "and we can't do it with a $250,000 retention."

"Fundamentally, the industry must figure out which way to go," he said.

These speakers issued their warnings during a panel at the Professional Liability Underwriting Society's annual D&O Symposium in New York last week, where they also discussed emerging D&O risks, including whistleblowers and cyber risks.

The "key to the whole issue is

See **PLUS** page 27

2/3/14

ONLINE FEATURES

RMS 2014

Registration open for 2014 Risk Management Summit

Register now for the Risk Management Summit, to be held March 12-13 in New York.
www.BusinessInsurance.com/RMS2014

VIDEO: IN FOCUS

Specialty drug costs

Examining how the high price of specialty drugs affects comp costs.
www.BusinessInsurance.com/InFocus

VIDEO: BROKER BEAT

Regions Insurance Group

Regions CEO Curren Coco discusses issues affecting the U.S. Southeast.
www.BusinessInsurance.com/BrokerBeat

RESEARCH REPORT

Buyers Choice survey results

BUSINESS INSURANCE BUYERS 2013 CHOICE AWARDS

This research report includes a detailed analysis of the 2013 online survey of 281 risk managers. Results include rankings of the service and expertise attributes considered most important in insurers, brokers and TPAs.
www.BusinessInsurance.com/BuyersChoiceWP

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NEWS

EMPLOYMENT PRACTICES

AVOID HARASSMENT SUITS WITH PROPER TRAINING

Employers urged to keep open lines of communication

BY MATT DUNNING

NEW YORK — Comprehensive training programs and open lines of internal and external communication are critical — yet often overlooked — elements in an effective employment practices risk management strategy.

While most employers have formal policies addressing workplace discrimination, harassment and retaliation, experts say employees and their immediate supervisors often lack sufficient compliance and enforcement training.

Nearly one-quarter of ethics and compliance professionals say their company does not provide annual harassment training to its employees, and 50% do not provide training and awareness programs to prevent retaliation, according to a 2013 study by Navex Global Inc. in Oswego, Ore.

"You can have really great policies in place, but if your managers — particularly your lower-level supervisors — don't know how to apply them, that can lead to real problems later on," said Rachel Freedman, New York-based claims consultant director at CNA Financial Corp.

Beyond one-time educational programs on their rights and responsibilities under state and federal employment and workplace equality regulations, panelists at the American Conference Institute's 20th National Employment Practices Liability Insurance Conference in New York said employees, supervisors and senior executives should be reminded periodically of their role in the

See **PRACTICES** page 24

KEY EEOC STATS

While the total number of workplace harassment, discrimination and retaliation charges brought by the U.S. Equal Employment Opportunity Commission fell in 2013, the agency set a record for monetary recoveries against private entities.

Total charges filed
- 2013 — 93,727
- 2012 — 99,412

Merits lawsuits filed
- 2013 — 131
- 2012 — 122

Merits lawsuits resolved
- 2013 — 209
- 2012 — 254

Total recoveries
- 2013 — $372.1 million
- 2012 — $365.4 million

Source: U.S. Equal Employment Opportunity Commission

Benefit Manager of the Year nominations open

Know an outstanding benefit manager? Nominate him or her for Benefit Manager of the Year®.

Business Insurance is accepting nominations for its annual Benefit Manager of the Year® award and Benefit Management Honor Roll®.

Anyone involved in managing the benefits of their organization, anywhere in the world, is eligible for consideration. For complete information about the process, please download a copy of the nomination form at *www.businessinsurance.com/BMOYnominate*.

The award, established in 2005 to recognize excellence and innovation in employee benefit management, focuses on outstanding performance in the management or administration of group health, group life, retirement and pension, or work/life programs. Workers compensation will not be considered except as part of an integrated disability benefits management program.

The deadline for submitting nominations for this year's award is March 24.

Submissions will be judged and scored by a panel of independent judges, and the benefit manager with the highest score will be selected as the Benefit Manager of the Year®. Other high-scoring candidates are eligible to be named to the Benefit Management Honor Roll®.

The 2014 winners will be profiled in the June 23 issue of *Business Insurance*.

INTERNATIONAL

U.K. reviews rules for runoff tool

Regulator expected to preserve coverage

BY SARAH VEYSEY

The U.K. insurance regulator is expected to comment soon on responses it received during a public comment period on a mechanism used by solvent insurance companies to dispose of books of business.

Solvent schemes of arrangement have been used by companies to exit books of business and provide policyholders with estimated values for incurred but not reported claims, but have been opposed by some policyholder groups.

The Prudential Regulation Authority, which took over regulation of the U.K. insurance industry from the now-defunct Financial Services Authority on April 1, 2013, in the fall called for comments from interested parties on a draft supervisory statement it issued on solvent schemes of arrangement.

In that draft supervisory statement, the London-based regulator said it believed solvent schemes of arrangement were "unlikely to be compatible with its statutory objectives" and that it would be unlikely to approve such plans "unless compelling reasons exist to take a different approach in order to secure an appropriate degree of policyholder protection and unless alternative safeguards are put in place to provide continuity of cover for dissenting policyholders."

Interested parties were given until the end of October to give feedback, and a response from the regulator is expected soon, sources said.

While proposals for solvent schemes are approved or disallowed by law courts and not the regulator, insurers proposing such plans would not wish to fall afoul of the regulator, sources said.

Policyholders likely will be encouraged by the PRA's approach to solvent schemes of arrangement, said Richard Mattick, of counsel at law firm Covington & Burling L.L.P. in London.

The PRA appears to be saying that policyholders are always best served by a preservation of their coverage, he said.

In previous instances, notably the solvent scheme of arrangement

See **COMMUTATION** page 24

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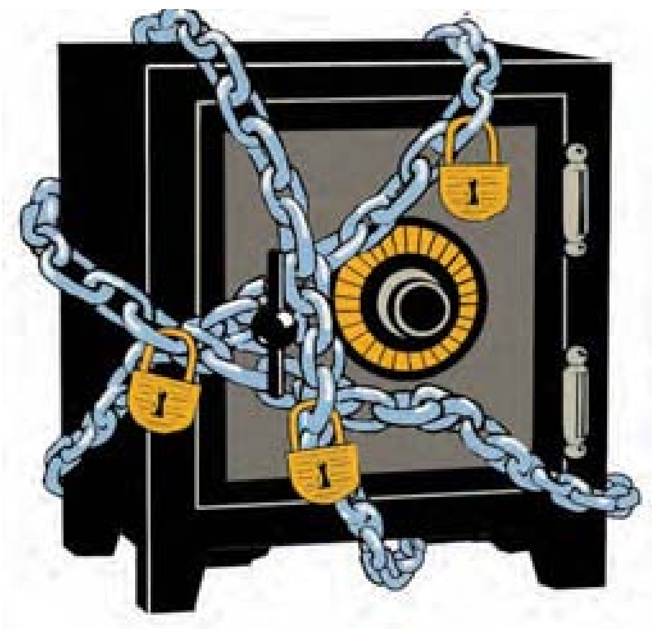
FINANCIAL INSTITUTIONS EMBRACING ERM

Credit unions, smaller banks balance risks vs. opportunities

BY JOANNE WOJCIK



While regulatory pressures following the worst financial crisis since the Great Depression may have been the impetus for many financial institutions to adopt enterprise risk management, several community banks and credit unions now embrace ERM as a tool to help them balance their risks and opportunities.

User-friendly ERM software products, consulting services and training programs being made available through industry trade associations are helping ease financial institutions' transition to ERM from traditional operational risk management, industry experts say.

"If there is no risk, there are no profits. Every banker gets this," said Michael Cohn, director of WolfPAC Solutions, a division of Boston-based Wolf & Co. P.C. that provides ERM software and consulting services to financial institutions.

Incorporating ERM into a community bank or credit union's strategic planning process not only helps them identify the risks to their operations that need to be mitigated, but also what risks they may be willing to take to grow their business, he said.

"Historically, risk management is a backward-looking view of breakdowns, threats and vulnerabilities. ERM for financial services firms enables them to leverage opportunities quicker and expand their reach from a consumer-lending perspective," said Tony Ferris, managing partner at The Rochdale Group Inc., an Overland Park, Kan.-based ERM consultant that focuses on financial institutions.

"People are beginning to realize that you can extract real value from ERM if it is implemented effectively," said William Bruce, a London-based senior vice president at Marsh Risk Consulting, a unit of Marsh Inc., who specializes in the financial services industry.

However, for an ERM program to be effective, "you need to secure the endorsement from the organization's leadership," which includes members of a financial institution's board of directors as well as members of management, he said.

Public Service Credit Union launched its enterprise risk management program about 4½ years ago, partly in response to regulatory changes, but also to identify growth opportunities, said Cyndi Koan, executive vice president and chief strategy officer at the Denver-based financial institution with $1.3 billion in assets.

"During the recession, we hired someone to develop a robust enterprise risk management program," Ms. Koan said.

In addition to a vice president of risk management who developed the program and a risk management coordinator to assist in the effort, the credit union has a risk management committee made up of department heads who meet monthly to identify and evaluate existing and emerging risks and mitigation efforts, and see whether there is any residual risk left over after those measures are employed, Ms. Koan said.

The risks are sorted into seven categories — interest rate risk, credit risk, strategic risk, transaction risk, liquidity risk, compliance risk and reputation risk. The risks are fed into software, ERM Director, that Rochdale developed. It uses Monte Carlo simulations to evaluate the probability of certain risks occurring and provides a range of possible outcomes.

This ERM exercise revealed that the credit union had the appetite to take on some additional credit risk.

"That has allowed us to make loans to people with slightly lower credit scores than in the past," Ms. Koan said. To mitigate that risk, the credit union charges those individuals somewhat higher interest rates, she said.

The ERM process also revealed that "we had more mitigation in place than we realized," Ms. Koan said. "We had done more things than we had documentation around. So it certainly renewed our efforts to make sure our documentation and operational policies and procedures are up to date and clearly outline all the steps that were taken."

While ERM now is embedded in the Denver-based credit union's business strategy, Mazuma Credit Union in Kansas City, Mo., introduced its ERM program less than a year ago, said Shannon Dawson, director of risk management at the financial institution, which has $476 million in assets.

"The executive team saw the need to enhance the risk management," said Mr. Dawson, who assumed his new post 10 months ago after working previously as a bank examiner in the federal Office of the Comptroller of the Currency.

"We're trying to remove the silos from risk management, make it a more integrated approach to identifying, evaluating and managing our risks within our organization," Mr. Dawson said. "We believe that can help us optimize our performance levels. We don't just focus on the so-called 'bad risks.' We also look at opportunity costs, the risk levels we are willing to take on. Maybe we're not taking enough risk or maybe we're not implementing the right processes to maximize our returns."

Mr. Dawson also uses ERM Director, which contains a "risk library" of approximately 260 risks he has identified, including "third-party data breach," which was added following the year-end 2013 data breach announced by Target Corp.

Both Mazuma and the Denver-based credit union are reissuing credit cards to members who are concerned that their information may have been compromised by the breach, Mr. Dawson and Ms. Koan said.

"That was a risk we could not control," Ms. Dawson said. "But how we respond, we can control."

IMPLEMENTATION RATES

Financial service firms' implementation of enterprise risk management, by size

More than $100 billion in assets:

63% have an ERM program

20% implementing ERM

$10 billion to $100 billion in assets:

65% have an ERM program

18% implementing ERM

Less than $10 billion in assets:

57% have an ERM program

29% implementing ERM

Source: Deloitte Touche Tohmatsu Ltd.

DODD-FRANK REFORMS DRIVE UPTAKE

The Dodd-Frank Wall Street Reform and Consumer Protection Act strengthened regulation of large U.S. financial institutions in 2010, but its effect also has trickled down to smaller financial services firms.

In response, institutions of all sizes have begun upgrading their risk management practices by implementing enterprise risk management.

The percentage of firms with less than $10 billion in assets that have an ERM program in place is 57%, while 29% say they are currently implementing ERM, according to the 2013 survey of financial institutions, "Setting a Higher Bar," by Deloitte Touche Tohmatsu Ltd.

"Larger institutions have made the most progress in adopting ERM," said Edward Hida, a partner at Deloitte & Touche L.L.P. in New York and author of the study.

"But we have seen that trickle down to midsize institutions. Because of expectations being driven by regulators, industry observers and other stakeholders, it is now typical for even small institutions to set up ERM programs," he said.

"While the smallest institutions had the fewest ERM programs in place, they also had the largest amount that were implementing (an ERM program). If you add those two together, they actually had more ERM programs than either the large or midsize organizations," Mr. Hida said.

Indeed, ERM adoption rates are climbing rapidly in response to a National Credit Union Administration directive that went into effect last April and requires those financial institutions to develop and follow an ERM policy, industry observers say.

To assist with this transition, the Alexandria, Va.-based NCUA sponsors ERM education seminars conducted by The Rochdale Group Inc. of Overland Park, Kan., which also markets project implementation and consulting services as well as software to credit unions and community banks.

By Joanne Wojcik

RUNNING THE NUMBERS ON THE COST OF DROPPING HEALTH CARE BENEFITS

Employers may find it cheaper to keep offering coverage

BY JERRY GEISEL

The implementation of the 2010 health care reform legislation might appear to open the door for employers to drop their health care plans and eliminate a huge and growing financial obligation.

But after employers do the math, they nearly always find the costs of eliminating coverage far exceed what they would pay by continuing it.

"We have run hundreds of models for employers, and when you add in all the factors, eliminating coverage will cost more for nearly all of them," said Rick Kahle, president of employee benefits at Lockton Cos. L.L.C. in Kansas City, Mo.

For most employers, "eliminating coverage just does not make economic sense," said Karen Vines, vice president and director of employee benefits/governance and compliance with broker IMA Inc. in Wichita, Kan.

With the cost of a group health care plan now averaging more than $10,000 per employee, the financial gains an employer would reap by dropping coverage appear to be considerable, even though starting in 2015 the firm would have to pay an annual penalty of $2,000 per full-time employee, minus the first 30 employees.

And employees, in certain situations, also could appear to come out ahead if their employers eliminated coverage. Under the Patient Protection and Affordable Care Act, lower-paid uninsured employees are entitled to federal premium subsidies to buy coverage in public health insurance exchanges.

In some situations, employees — especially lower-paid workers — might pay less for coverage in a public exchange than what they are paying for coverage offered by their employers. Indeed, retailer Target Corp., which is eliminating coverage for part-time employees on April 1, says the subsidies could reduce those individuals' health care premiums.

Similarly, if an employer had many low-paid employees and offered a generous health care benefits package, terminating coverage could be financially attractive.

"But that would be a rare situation," said Shannon Demaree, senior vice president and director of actuarial services at Lockton Benefit Group in Kansas City, Mo.

For most employers, trying to save money by terminating a health care plan and shifting employees to public exchanges "just does not work out," said Michael Thompson, a principal with PricewaterhouseCoopers L.L.P. in New York.

The biggest reason for that is the cost that employers would face boosting salaries of employees whose incomes make them ineligible for federal premium subsidies. Employees whose federal premium subsidies would be far less than what they now pay for their share of the group premium also would expect a salary bump.

Under the health reform law, an employee with adjusted gross family income exceeding $94,000 would not be eligible for a federal premium subsidy and would have to pay the full premium for coverage he or she obtained. With the average premium for family coverage now over $16,000, upper middle income and upper income employees would have a big reduction in compensation if their employers terminated coverage and employees had to pay for coverage. Employers wanting to retain employees would likely have to boost salaries.

Take the case of an employer plan that costs $16,000 for family coverage, with the employer paying $13,000 and the employee paying $3,000. For an employee earning $50,000 with a spouse also earning $50,000, no federal premium subsidies would be available.

The employer, though, would have to give the employee more than $13,000 to prevent a reduction in total compensation. That is because employees nearly always pay their share of the health insurance premium with pretax dollars through salary reduction, reducing their taxable incomes.

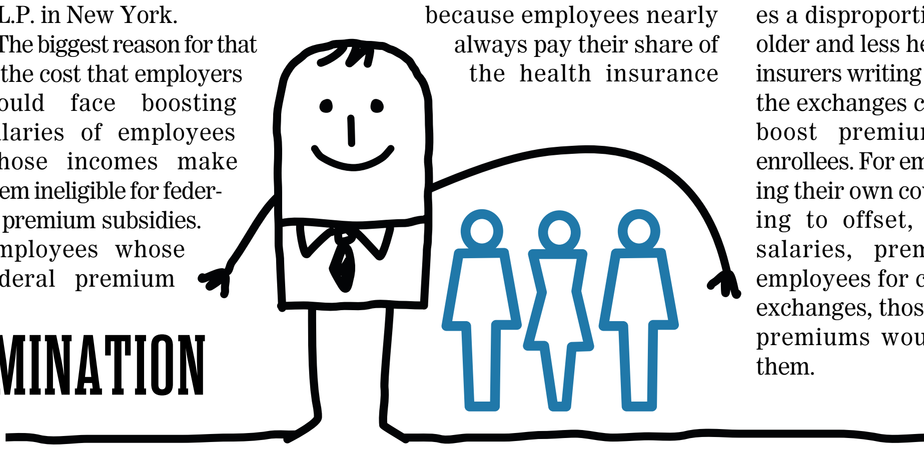
If an employer boosts employees' salaries, their taxable incomes would increase. In addition, Social Security and Medicare taxes paid by employers and employees also would jump.

At the same time, the employer would have to pay the $2,000-per-employee penalty, which under the health care reform law is not tax-deductible, for not offering coverage. And that penalty could easily increase.

"There is no reason to believe that the penalty will remain static," said George Katsoudas, division senior vice president and compliance counsel at Gallagher Benefit Services in Itasca, Ill.

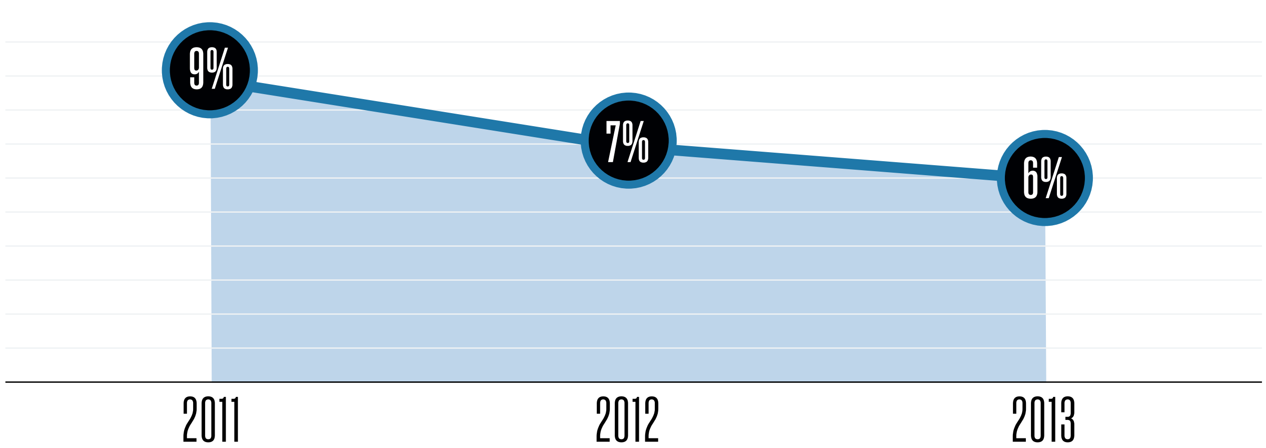
Similarly, there is considerable uncertainty on how stable premium rates will be in the public insurance exchanges. Already, there are concerns the base of enrollees buying coverage through the public exchanges does not include enough young and healthy individuals.

If exchange enrollment comprises a disproportionate number of older and less healthy employees, insurers writing coverage through the exchanges could significantly boost premiums charged to enrollees. For employers terminating their own coverage and agreeing to offset, through higher salaries, premiums paid by employees for coverage through exchanges, those big increases in premiums would be shifted to them.

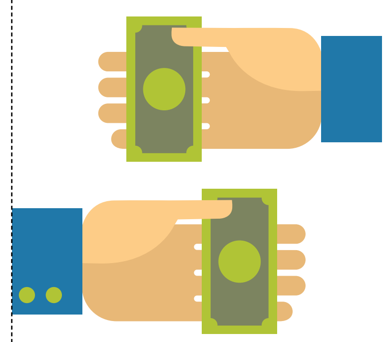


HEALTH PLAN TERMINATION

The percentage of employers* that say they are likely or very likely to terminate their health plans in the next five years has declined since 2011.



*Employers with at least 500 employees
Source: Mercer L.L.C.



GIVING MORE BY TAKING COVERAGE AWAY

While terminating health care plan coverage could end up costing employers more — not less — than continuing their plans, benefit experts say there is one big exception: employers whose workforces are overwhelmingly made up of low-wage employees.

Those employees would be eligible for rich federal premium subsidies, which would reduce and in some cases eliminate the need for employers to increase those employees' salaries to offset premiums they would pay for coverage in public exchanges.

Indeed, Target Corp., which announced last month it will eliminate coverage it provides to part-time employees on April 1, said workers could end up paying more if it continued to offer coverage.

"We could actually disqualify many of them from being eligible for newly available subsidies that could reduce their overall health insurance expense," the third-largest U.S. retailer said. Currently, just 10% of part-time employees — those working as few as 20 hours a week — enroll in health care plans Target offers. "Health care reform is transforming the benefits landscape and affecting how all employers, including Target, administer health benefits coverage," Jodee Kozlak, Target's executive vice president of human resources, said in a statement.

An example illustrates how the health care reform law will minimize, and in some cases eliminate, premiums paid by low-wage employees who obtain coverage through public exchanges. In the case of a part-time employee earning $12 an hour and working an average of 25 hours a week, with annual income of $15,600, that individual would be eligible for a federal premium subsidy that would completely cover the cost of a bronze-level plan offered through a public exchange, and would have to pay a premium of just under $500 for a somewhat richer silver-level plan, according to a Kaiser Family Foundation subsidy calculator.

Target said it will give part-time employees now insured $500 cash.

By Jerry Geisel

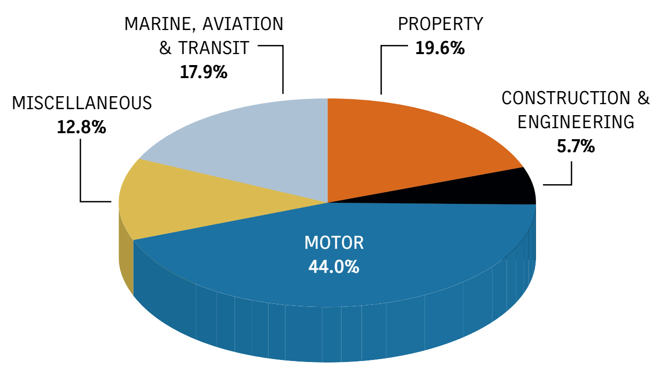
PROFILE: NEPAL

$101.9 MILLION

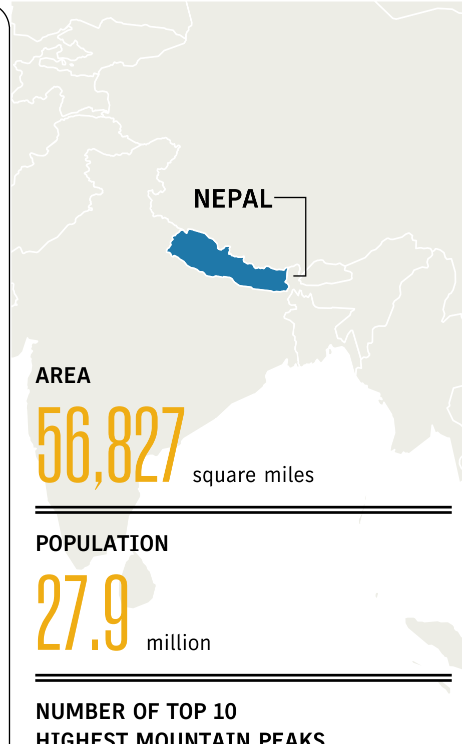
The property/casualty insurance market in Nepal is fragmented. An increase in capital requirements and corporate governance reforms are expected to result in fewer insurers. Insurance penetration is low, so regulators have targeted microinsurance as an area for growth and intend to mandate that insurers offer microinsurance products with the goal of the products making up 15% of their portfolios within five years. The largest five insurers in Nepal control about 43% of the market.

◀ **2013 P/C gross premiums**

MARKET SHARE



Source: Axco Global Statistics/Industry Associations and Regulatory Bodies



AREA

56,827 square miles

POPULATION

27.9 million

NUMBER OF TOP 10 HIGHEST MOUNTAIN PEAKS

8

2014 GDP CHANGE (PROJECTED)

4.1%

MARKET DEVELOPMENTS

UPDATED JANUARY 2014

- Limits for personal accident cover for mountaineering workers increased substantially in June 2013. Mountain guides and high-altitude workers must have $12,825 in personal accident cover, and liaison officers and base camp workers must have $10,260 in coverage.
- In July 2013, fire and earthquake tariff rates were reduced by 10%, and a 2.5% coinsurance requirement was introduced for earthquake risks. Earthquake coverage must be included in a standard fire policy.
- A draft new insurance act was submitted to the Ministry of Finance in October 2011 but has not yet been approved due to political stalemate in Nepal.
- All property/casualty insurers were required to increase their paid-up capital to $2.51 million by July 2013, but not all insurers have complied.
- The government has started the process of converting the national terrorism pool into a reinsurance company. The new company is expected to begin operations this year.
- Nepal's regulator, the Insurance Board, dismissed its executive director in June 2013 following allegations of corruption. A successor is yet to be named.

COMPULSORY INSURANCE

- Auto third-party liability
- Occupational accident insurance for construction workers, transportation workers, workers in the tourist sector and overseas migrant workers contracted through an agency in Nepal.

NONADMITTED

Nonadmitted insurance is not permitted in Nepal. The country's insurance laws require that insurance be purchased from locally authorized insurers with the following exceptions: large projects, marine cargo and aviation. There is no formal procedure in place for seeking permission to place insurance business abroad.

INTERMEDIARIES

Brokers and agents have to be authorized to do business in Nepal, although no brokers operate in the country. While there are no rules prohibiting agents from placing authorized nonadmitted business, few agents do because they lack experience in the international insurance market. If they do place nonadmitted business, there are few legal requirements to comply with.

MARKET PRACTICE

Insurers comply with the nonadmitted rules, but facultative reinsurance with a nominal retention can be used to cover risks in Nepal.

Information provided by Axco Insurance Information Services.
www.axcoinfo.com

Terror threats increase, fewer countries affected

■ Fewer countries faced terrorism threats last year than in 2012, but the severity of the threats sharply increased in some areas, according to Aon P.L.C.'s 2014 Terrorism and Political Violence Map. The number of countries with identifiable terrorism perils in 2013 decreased by 12% to 80 compared with 2012, Aon said. A core trend is the widening gap in terrorism and political violence risk between developed economies and emerging markets, said Henry Wilkinson, head of the intelligence and analysis practice at the London-based Risk Advisory Group P.L.C., which helped Aon produce the map. Additionally, "social media-driven wildfire unrest" was adding to the risks faced by companies and contributed directly to an increase in the country risk ratings of Brazil and Turkey for 2014. The Middle East and North Africa is the region most at risk from terrorism and political violence, according to Aon, while terrorist attacks increased by 75% in Russia in 2013, raising concerns about the threat to the upcoming Sochi Winter Olympic Games, Mr. Wilkinson said.

$702M insured losses from U.K. holiday storms

■ Storms and flooding in the United Kingdom over the recent holiday period will cost insurers about £426 million ($702.2 million), the London-based Association of British Insurers said. Storms between Dec. 28 and Jan. 8 resulted in 174,000 claims from businesses, homeowners and auto owners, the ABI said.

Bermuda reports jump in new registrations

■ Bermuda saw a more than 70% increase in new insurer registrations in 2013, according to figures released by the Bermuda Monetary Authority. There were 91 new insurers registered in Bermuda in 2013 compared with 53 new registrations in 2012, the BMA said in a statement. Of the new registrations, 51 were special purpose insurers, up from 27 in 2012, 16 were commercial insurers, up from 14 in 2012, and 24 were captive insurers, double the 2012 figure, the BMA said. The record number of special purpose insurers registered last year reflects how Bermuda has emerged as a leading jurisdiction for the creation, listing and servicing of insurance-linked securities, Jeremy Cox, CEO of the BMA, said in the statement. By the end of 2013, out of the $21.0 billion of global ILS issuance, $9.2 billion was sponsored by Bermuda-based special purpose insurers, according to the statement.

Food issues drive U.K. product recalls

■ Driven by an increase in food recalls, there were 272 product recalls in the United Kingdom in 2013, up from 260 in 2012, according to research by London-based law firm Reynolds Porter Chamberlain L.L.P. The firm said the early 2013 scandal when horse meat was detected in many beef products sold across Europe had put food safety "under the microscope." The report found that between Nov. 1, 2012, and Oct. 31, 2013, an increase in food recalls — to 58 from 43 in the prior-year period — drove the overall increase.

U.K. names law firms with no liability cover

■ The Solicitors Regulation Authority, which regulates lawyers in England and Wales, has named 136 law firms that did not obtain professional indemnity cover by a Dec. 29 deadline in the U.K.'s tightening professional liability market. Solicitors, who are lawyers that advise clients but hand off to barristers to represent the clients in court, are barred from practicing without professional indemnity insurance.

Zurich names chief claims officer

■ Zurich Insurance Group Ltd. has appointed Saad Mered as chief claims officer for its nonlife insurance business. He replaces Thomas Sepp, who has left the company, Zurich said in a statement. Mr. Mered most recently was CEO of general insurance for Zurich in the Middle East and Africa and was based in the United Arab Emirates. In his new role, he will be based in Zurich and report to Mike Kerner, CEO of Zurich's general insurance operations.

Tougher standards for older tanker cars

■ Canada's Transportation Safety Board recommends that regulators in Canada and the United States immediately impose tougher standards on all railway oil tanker cars, not just new ones. The TSB, which is investigating the derailment and fire that killed 47 people in Lac-Mégantic, Quebec, last July, issued the recommendations for rail carriers jointly with the U.S. National Transportation Safety Board. The Canadian officials said at Lac-Mégantic the older version of the DOT-111 tank cars proved vulnerable to rupturing even at slower speeds.

Reuters

Willis establishes global benefits practice

■ Willis Group Holdings P.L.C. has established a global human capital and benefits practice. Willis said the unit is led by Tim Wright, who adds the role to his current duties as CEO of Willis International Ltd. He is based in London. Willis' human capital consulting business in North America and employee benefits businesses across Europe will continue to report to local executives, but they will become part of the global human capital and benefits practice, Willis said. "The new practice will allow us to create a sense of identity and community among our human capital and employee benefits teams," Mr. Wright said.

JLT Brazil acquires 75% of SCK

■ London-based brokerage Jardine Lloyd Thompson Group P.L.C. said JLT Brazil Holdings has acquired 75% of SCK, a Rio de Janeiro-based employee benefits and insurance broker with three offices in Brazil. Terms of the transaction were not disclosed. SCK focuses on property/casualty insurance, employee benefits and affinity, a JLT statement said.

Amlin launches Hamburg office

■ Amlin P.L.C. has opened an office in Hamburg, Germany, where it began writing business Jan. 1 for small and medium-sized enterprises. Its German branch focuses on specialized property/casualty business for those enterprises, London-based Amlin said in a statement. The operation is headed by managing director Martin Bircks, formerly head of liability, casualty and legal protection and head of product management for commercial lines at Zurich Insurance Group Ltd.

Ace profits up in fourth quarter

■ Zurich-based Ace Ltd. posted fourth-quarter net income of $998 million, up 30.5% from the same period last year. Net written premiums rose 15.3% from the same period last year to $4.22 billion, the insurer said. The combined ratio improved to 89.3% from 105.5% during the fourth quarter of 2012. For 2013, annual net income increased 38.9% from the previous year to $3.76 billion. Net written premiums rose 5.9% from a year earlier to $17.03 billion. The combined ratio for 2013 was 88.0%, compared with 93.9% in 2012. "ACE had an excellent fourth quarter and a record year," Chairman and CEO Evan Greenberg said in a statement.

Wal-Mart leans on vendors in China

■ Wal-Mart Stores Inc. said it will upgrade its vendor compliance process in China, requiring more documentation and making use of a computer-based system to help suppliers manage associated paperwork. The announcement came after state-owned China Central Television criticized the world's No. 1 retailer for circumventing its quality control process and fast-tracking some products with higher profit margins. Wal-Mart will "ensure the correct documents and other required items are in place before the products are sold in our stores," the retailer said in a statement. "Wal-Mart China has now invested in a computer-based system enabling vendors to upload all required legal documents. This system ... is now ready for broad-based application across the supply chain."

Reuters

Denis Kessler named to IIS Hall of Fame

■ The International Insurance Society Inc. has named Denis Kessler, chairman and CEO of Scor S.E., to its Insurance Hall of Fame. Mr. Kessler, who has led Scor since 2002, will be inducted during the IIS' 50th annual gathering in London in June, the IIS said.

Japan 787 battery probe looks to latest meltdown

■ Japanese investigators probing a lithium-ion battery meltdown on a Boeing Co. 787 jetliner a year ago are looking at a battery that overheated on a Dreamliner in Tokyo in January to help unlock the cause of the earlier fire, a Japan Transport Safety Board official said. The incident on board an ANA Holdings 787 a year ago left the battery charred and deformed, destroying evidence that would have pointed to a cause. The latest event on a parked Japan Airlines plane in a redesigned battery destroyed only one of eight cells. "The remaining seven cells are untouched, and I think that is where the investigation will focus," Masahiro Kudo, the lead investigator on the ANA battery said.

Reuters

EDITORIAL

CONGRESS SHOULD HEED FLOOD ADVICE

A new study by the Government Accountability Office on strategies to increase private insurance company participation in the flood insurance market doesn't make any new recommendations, but its reiteration of previous recommendations are well worth noting again.

After seeking comment from stakeholders about conditions that must be met to make the sale of flood insurance attractive to the private market, the GAO repeated three recommendations it made in 2011: that "Congress consider eliminating subsidized rates, charge full-risk rates to all policyholders, and appropriate funds for premium assistance to eligible policyholders to address affordability issues."

Sound recommendations all, and ones that Congress should take seriously before allowing politics to trump economics by rolling back reforms contained in the Biggert-Waters Flood Insurance Reform Act of 2012.

Among other things, the act requires that the National Flood Insurance Program charge risk-based rates for flood coverage. The requirement was supported by insurance, environmental and free-market groups alike — each for their own reasons, including discouraging development in environmentally sensitive areas and creating conditions that would encourage private sector involvement in the program.

It's also called sound underwriting practice. But the Senate wants the rate reforms, which already have been delayed for a year, delayed for four years. That's a move the White House opposes, and for which the House leadership has shown no great appetite.

There's no good reason for further delay. The NFIP is already about $24 billion in debt, and blocking implementation of more realistic rates can only make that situation worse. That's not fair to the taxpayers, who end up footing the bill to pay claims. Delay also cannot help but discourage greater private participation in the market. Private reinsurers already have made clear they would like to play a role in the flood market under the right circumstances, but a market with politically based rates rather than risk-based rates presents far from ideal circumstances.

The GAO's recommendations were sound in 2011, and they're just as sound now. If the NFIP is to be put on a sound financial footing and the taxpayers spared further expense, those recommendations should be followed without delay.

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SCHILLERSTROM

COMMENTARY

EMPLOYERS NAVIGATE TRICKY ROAD AS POT LAWS LOOSEN

JOANNE WOJCIK
SENIOR EDITOR

Since legal commercial sales of recreational marijuana began in Colorado on New Year's Day, my home state seems eager to live up to the reputation pop artist John Denver gave it in 1972 when he wrote "Rocky Mountain High."

In less than a week, this reefer madness forced some pot shops to begin rationing the product after an estimated 100,000 people shelled out more than $5 million to purchase what had been illegal in this country since 1938 — the year the nation's first pot bust occurred, coincidentally, in Denver.

Sales continue at a clip of $1 million daily, the Denver Post reports.

Colorado and Washington were the first states to legalize recreational marijuana but they certainly won't be the last, as public opinion shifts on the issue.

A recent CNN poll found 55% of those questioned said pot should be legalized.

The Justice Department announced in August that it would not stand in the way of state laws legalizing recreational marijuana use.

Since then, legislatures in Delaware, Hawaii, Maryland, New Hampshire, Rhode Island and Vermont have said they will tackle the issue this year, according to the Washington-based Marijuana Policy Project.

Meanwhile, 20 states and the District of Columbia already have in place medical marijuana laws, considered the precursor to full legalization: Colorado authorized medical marijuana in 2000.

While employers in Colorado still have full authority to impose drug prohibitions on employees, it is only a matter of time before an employee who is fired for legal off-duty marijuana use attempts to litigate the issue, just as some employees have taken their employers to court for restricting their use of tobacco products. More than a dozen states have specific statutes that protect off-duty use of tobacco and other lawful products.

Six states — Arizona, Connecticut, Delaware, Illinois, Maine and Rhode Island — have passed laws that restrict the firing of medical marijuana users.

So far, a Colorado intermediate appeals court has sided with an employer that fired a Colorado worker with a medical marijuana card for testing positive on a drug test, finding that federal law prohibiting cannabis use trumped state law authorizing its use. The Colorado Supreme Court has announced it will review that April 2013 ruling in *Coats v. Dish Network L.L.C.* — decided six months after passage of the state's ballot initiative legalizing recreational marijuana.

But even if an employer knowingly permits a legal marijuana user to work, it still might incur costly legal expenses if that worker causes injury to a customer, another employee or himself.

Yes, the times they are a-changin', and employers need to be prepared for any potential "pot" holes in the road ahead.

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Environmental Liability Risks

M&As driving environmental exposures PAGE 15

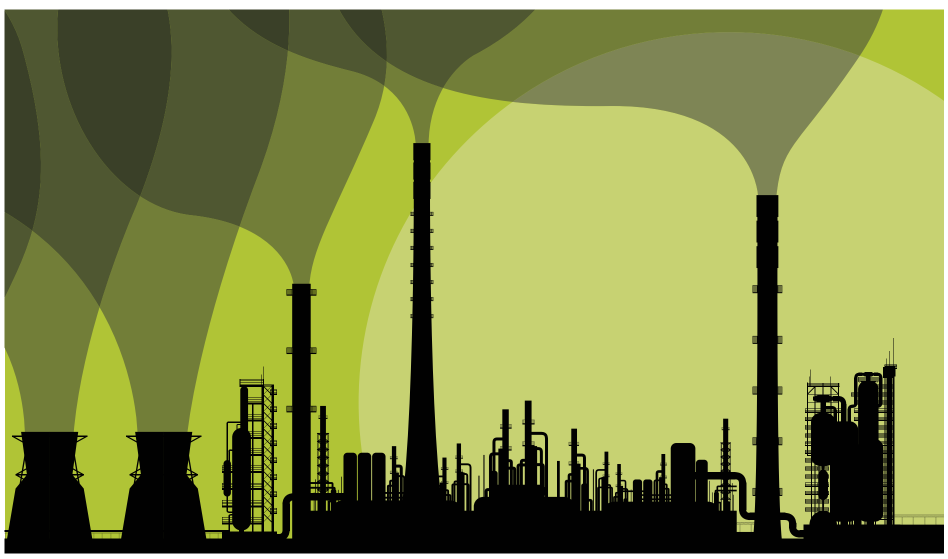
Chemical drift poses risks for farmers PAGE 18

E.U. may stiffen environmental liability directive PAGE 19

Increased capacity creates stability

Environmental insurers search for new customers in nontraditional sectors

BY JUDY GREENWALD



The overall environmental liability market has stabilized, offering adequate capacity and competitive rates. As the traditional market has matured, more insurers are turning to nontraditional buyers, including schools and hospitals, and focusing on multinational business to generate growth in premiums, observers say.

Rich Wagner, New York-based-global chief environmental underwriting officer at American International Group Inc., described the market as "sophisticated and robust," adding, "I wouldn't describe it as rapid growth, but I would describe it as consistent growth."

An improved economy also has helped the market, said Craig Richardson, Philadelphia-based senior vice president for environmental risk for Ace USA.

Bob Newmarker, Boston-based head of environmental sites at Zurich North America, said the sector "remains a fairly competitive marketplace, given the increase in capacity that's happened over the past four to five years."

Rates are "still sort of all over the place," Mr. Newmarker said. "It really depends on the class of business. It depends on what the capacity is, what the limit is; and it depends on term length." At the same time, he said, "we're starting to reach the point of having an overall leveling off of rate decreases" after experiencing "pretty sizable rate decreases over the last five or six years."

Richard Sheldon, environmental practice leader at Willis North America Inc. in New York, said there are certain business areas "most carriers are still very desirous of, including annually renewable middle-market contractors and site-specific business.

"These are bread-and-butter accounts in the industry, so I think from a competitive standpoint, that area of the business is still very competitive," Mr. Sheldon said.

Some observers report, though, that insurers are reducing capacity and policy periods for site-specific business, to $25 million in coverage from $50 million, and from 10 years to five. However, Matt O'Malley, Exton, Pa.-based president of XL Group P.L.C.'s environmental business, said the insurer continues to offer the full $50 million in environmental liability capacity.

"I think some of the more mature markets have continued to offer the 10-year term at least," including XL, said Mary Ann Susavidge, Exton-based executive underwriter for environmental at XL.

Observers say while competition remains strong, few players have entered or departed the market recently.

Steve Goebner, Philadelphia-based vice president and environmental contractors segment leader at Zurich, said it seemed that three or four new entrants came into the marketplace annually for several years. recently, though, "we've sort of seen that slow down a lot the last couple of years."

Jayne Cunningham, Beazley P.L.C.'s New York-based focus group leader for environmental, said after five years of "chaos" since entering the market, the economy has picked up and "new markets have settled into their own particular niches. It's definitely stabilized."

Meanwhile, insurers are seeking to move beyond the petrochemical and other energy companies that traditionally have been the focus of environmental liability.

Mr. Sheldon said the market for buyers required to obtain coverage by contract or because of a statutory obligation is finite. As a result, insurers have been looking into other areas to expand their business. That includes health care, education and real estate, where there are "legitimate environmental exposures," such as mold and Legionnaire's disease, he said.

"That's a continuation of the maturing of the marketplace," said Chris Smy, Marsh Inc.'s Atlanta-based global environmental practice leader.

"Ten or even five years ago, environmental insurance was specified as something organizations that had the potential to pollute would purchase and nobody else, whereas we've seen the concept of environmental risk broaden to indoor air quality and a whole host of exposures that do bring a lot more organizations into the area of perceived potential risk," Mr. Smy said.

Mr. Wagner said universities and schools have risks not just with mold but also with respect to their energy-generating plants and laboratories, which in many instances handle hazardous chemicals.

Educational facilities also generally are large property owners with frequent building projects, "and have all the same risks" that project owners have, Mr. Wagner said.

Superstorm Sandy raised the level of interest in these products "because a lot of classes of business that traditionally didn't think of themselves as exposed found themselves with situations where they had underground garages and basements that were contaminated with fuel oil and other contaminants as a result of the storm and flooding," he said.

Multinational environmental business is another potential growth business.

Mr. Sheldon said U.S. companies are "obviously very environmentally conscious" and "carry their risk management philosophy with them" as they move outside the U.S. to do business, even if there are no local statutes or regulations.

"As the market gets stronger, we're seeing more and more transactional opportunities, more (merger and acquisition) activity," said Zurich's Mr. Newmarker.

There has not, however, been a major source of claims, observers say.

"There really isn't something that stands out as a large class" in this space that drives claims, said Mr. Wagner.

TIPS FOR PLACING ENVIRONMENTAL COVER

A specialized broker, experienced underwriters and a strong claims staff are among the factors policyholders should take into account in placing their environmental insurance, observers say.

Richard Sheldon, environmental practice leader at Willis North America Inc. in New York, said there is no standardized marketplace for environmental insurance, and the "forms vary dramatically from carrier to carrier." That is "not something that a typical P&C agent, I think, would feel comfortable with placing, even for a relatively average risk," he said.

Jayne Cunningham, Beazley P.L.C.'s New York-based focus group leader for environmental, said buyers should look for insurers knowledgeable about their particular areas of concern. "You really want to know you've got underwriters that have a lot of experience, and that isn't necessarily the carriers that have been doing it the longest," she said.

Environmental liability insurance buyers must look at the value added by their insurers in deciding where to buy, said Bob Newmarker, Boston-based head of environmental sites for Zurich North America. This includes making sure the insurer has a claims staff "that has experience in handling environmental claims" and a strong risk engineering group "that can understand your business," he said.

By Judy Greenwald

Environmental exposures can undermine M&A deals

BY BILL KENEALY

When it comes to mergers and acquisitions, risk managers' help in assessing and mitigating exposures is particularly important where environmental risks are concerned.

Cleaning up environmental pollution can drive up costs and undermine proposed deals. To mitigate the risk, risk managers need to conduct careful due diligence and consider risk-shifting via insurance, experts say.

"Environmental risk been a sticking point for a long time and has been addressed in a lot of purchase and sale agreements," said Rod Taylor, New York-based managing director of Aon Risk Solutions' environmental services group. "The problems happen when people don't ask the right questions."

The nature of the business being acquired or divested should largely determine the scope of an environmental inquiry, said Jeff Kingsley, Buffalo, N.Y.-based partner in the global insurance services group and the environmental litigation and regulatory practice at law firm Goldberg Segalla L.L.P.

When assessing a company for environmental risk, knowing whether it discharges any materials regulated by federal or state governments is a paramount concern, Mr. Kingsley said. Whether it generates any industrial, nonhazardous waste is another.

Risk managers also need to understand the selling company's environmental protocols.

CHECKLIST

Risk managers involved in mergers and acquisitions should ask :

- ✓ Has a phased environmental assessment of the site been done?
- ✓ What is known about the integrity of the buildings on the site?
- ✓ How would the company clean up or monitor the site if problems arose?
- ✓ Has anyone checked on existing litigation and insurance claims?
- ✓ Do facilities have the necessary state and federal permits?

"Take a look at their audit books," Mr. Kingsley said. "How do they dispose of waste? How do they document their relationships with third parties? It's one thing to be good in terms of doing things properly, but you also need a documented chain of events that is succinct and consistent."

Sheila Small, New York-based managing director of consultant Alvarez & Marsal Insurance & Risk Advisory Services, agreed that proper due diligence is a must.

"Risk managers need to dig a little deeper and peel the onion a little further," Ms. Small said. "Otherwise, you may be in for a surprise."

Being thorough means vetting both current and past operations, she said. Risk managers should examine discontinued operations, both owned and sold, and existing operations, Ms. Small said. "You have to go back and look at the contract terms of prior sales to see who is really left with the liability for environmental issues."

Other measures to consider include inserting indemnity agreements into contracts and buying environmental liability insurance.

Indemnification provisions are worthwhile, but may not be worth as much if the firm being acquired has sold all its assets, Mr. Kingsley said.

Mr. Taylor said indemnification clauses can be combined with environmental liability insurance.

Even the most conscientious risk managers, however, can be surprised by environmental liabilities. He said he was aware of a defense contractor that accounted for an environmental liability when purchasing another firm. The contractor estimated the remediation cost at $200,000, but ended up spending $40 million to clean up the problem.

"It's about doing the best due diligence, but it doesn't always work, frankly," Mr. Taylor said. "Do your homework and don't forget the insurance."

INSURERS OFFER COVERAGE AIMED AT SECURING DEALS

As companies seek growth through mergers and acquisitions with complex environmental liabilities, one mitigation option is buying environmental liability insurance.

"The solutions are out there in the market to help you manage that risk on both the buy side and the sell side," said Craig Richardson, Alpharetta, Ga.-based senior vice president of Ace USA's environmental risk practice. "It's just a matter of the risk manager understanding that there are solutions in the form of insurance policies."

Such coverage often speeds M&A talks by removing a common stumbling block, said Seth Gillston, executive vice president of Ace's USA's M&A practice in New York. "Having a policy in place can put a cap on an exposure and lower the potential for dispute over valuation," he said.

Merger-specific policies have become more important as private equity firms buy portions of larger companies and, in the process, change the unit's ability to absorb environmental risk, Mr. Gillston said.

"While the conglomerate could self-insure an environmental risk on its own, it probably makes sense for the smaller company to go out and secure an environmental policy at a much different retention level," he said.

By Bill Kenealy

BUSINESS INSURANCE

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INNOVATIVE IDEAS FOR THE RISKS OF TOMORROW

Risk Management Summit Conference Agenda

Panelist Include:

Cory Anger, GC Securities

Duncan Ellis, Marsh Inc.

John N. Ellison, Reed Smith

Claude F.Gallello,
Willis Risk Solutions International

Jack Hampton, St. Peters College

John F. McCarrick,
White and Williams LLP

Debbie Michel,
Liberty Mutual Insurance

Jeff Natterman,
The Johns Hopkins Hospital

Shawn Ram, Aon Risk Solutions

Rick Shaw, Awareity

Carolyn Snow, Humana

Scott L. Vernick,
Fox Rothschild LLP

Tim Yeates, AXCO

Wednesday March 12, 2014

7:45 AM	Registration and Networking Breakfast
8:00 AM	Welcome Keynote Address : Stephen E. Flynn, PhD.
9:00 AM – 10:15	Session 1: Cyber Risks – Focus on Cloud Computing Moderator: Carolyn Snow
10:15- 10:45 AM	Coffee & Networking Break
10:45 – 12:00 PM	Session 2: Global Coverage & Compliance – Are You Covered? Moderator: Rodd Zolkos
12:00 -2:00 PM	**Innovations Awards Luncheon**
2:15 – 3:15 PM	Session 3: Alternative Capacity – New Options for Insurers and Risk Managers Moderator: Gavin Souter
3:15 – 3:30 PM	Networking Break
3:30 – 4:45 PM	Session 4: Roundtable discussions

Roundtable 1:	Emerging Markets
Roundtable 2:	Alternative Risk Financing & Captives
Roundtable 3:	Business Interruptions and Supply Chain Risk
Roundtable 4:	Political Risk
Roundtable 5:	Risk Management Tools & Tech

5:00 – 6:30 PM	Cocktail Reception

Complimentary registration for Risk Managers; Chief Risk Officers/Vice President; Director, Enterprise Risk Management; Director, Risk & Insurance Management, etc. For more information visit www.businessinsurance.com/RMS2014

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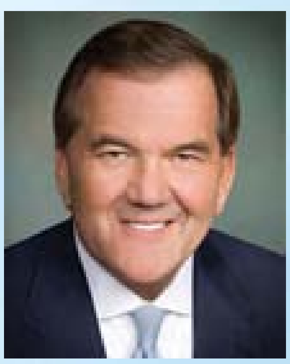
Thursday March 13, 2014

8:00 – 8:45 AM	Networking - Coffee & Continental Breakfast
8:45 – 9:45 AM	Session 1: Building Blocks of a Strong Social Media Policy Moderator: Paul Bomberger
9:45 – 10:45 AM	Session 2: Communications with the C-Suite: How to Get Their Attention - Jack Hampton
10:45 – 11:15 AM	Coffee & Networking Break
11:15 – 12:15 PM	Keynote Speaker - Tom Ridge, CEO Ridge Global
12:15 – 1:15 PM	Lunch & Dessert Served
1:15 – 2:15 PM	Session 3: Workplace Violence: The Risks & How to Mitigate Them Moderator: Matt Dunning
2:15 – 3:15 PM	Session 4: D & O Insurance – Developments that Effect Rates & Coverage
3:15 – 4:30 PM	Risk Managers Only Session
4:30 PM	Final Remarks & Close of Conference

Tom Ridge Keynote Speaker*



First Assistant to the President for Homeland Security and, on Jan. 24, 2003, became the first Secretary of the U.S. Department of Homeland Security. Tom Ridge, CEO, Ridge Global leads a team of international experts that help businesses and governments address a range of needs throughout their organizations, including risk management, global trade security, emergency preparedness and response and strategic growth.

*Thursday 11:15 am

Join your fellow Risk Managers from these companies:

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Dover Corporation
Eastman Chemical Company
FMC Corporation
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GAF
Johnson & Johnson
Markel Corp
Marsh & McLennan Companies, Inc.
Marubeni America Corporation
Miami-Dade Public Schools
Mitsui & Co (USA), Inc.
MPV Consultoria
Orbital Sciences Corporation
Parsons Corporation
Saks Incorporated
Silverstein Properties, Inc./World Trade Center Properties
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HERBICIDES POSE LIABILITY RISKS FOR FARMS WITH ORGANIC NEIGHBORS

Conventional growers need to look at higher insurance coverage limits for chemical drift

BY DOUGLAS MCLEOD

Agricultural chemical drift is a darkening cloud on farmers' horizons. Organic and conventional growers have long dealt with crop damage caused by drifting herbicides sprayed on neighboring farms. The exposure — which can shut down an organic farm for four years — has created a crazy quilt of state- and county-level regulations and led to numerous court rulings on liability issues.

While farmers, equipment manufacturers and chemical companies have taken steps to reduce drift damage, the emergence of genetically modified crops resistant to more powerful herbicides may soon make the problem worse, agricultural and legal sources say.

At the same time, many farmers are significantly underinsured for drift liabilities, and insurers and agents often don't explain the risk, experts say.

"The insurance industry is not looking at this anywhere near as strongly as they need to be," said Steve Smith, director of agriculture for Elwood, Ind.-based tomato processor Red Gold Inc.

"It's an education thing," said Jim Craig, chairman and chief underwriting officer of James Allen Insurance Brokers, a farm and ranch managing general underwriter in Carmel, Ind. "Most farmers think they're covered. That's the sad part."

Along with direct damage caused by drift during spraying, non-target crops also can be damaged indirectly by volatilization, or evaporation and migration, of herbicides from target plants.

The overall frequency and size of drift incidents is hard to determine. Many incidents never are reported to regulators, and damages are settled privately between farmers, experts say. In a 2005 survey of regulators in 40 states, the Association of American Pesticide Control Officials tallied 5,055 drift complaints over the preceding three years, with enforcement action taken against applicators — mostly for-hire sprayers — in 1,869 cases. The herbicides most commonly involved in these incidents were 2,4-dichlorophenoxyacetic acid, or 2,4-D; glyphosate, the active ingredient in Monsanto Co.'s Roundup weed killer; and dicamba.

Most incidents of drift damage are small, involving just a portion of a farmer's acreage, Mr. Craig said.

But the damages can add up: In 2008, Red Gold's growers suffered losses of more than $800,000 in five separate incidents of glyphosate drift, Mr. Smith said.

The damage can be more severe if drift contaminates an organic farm. Under U.S. Department of Agriculture certification rules, contamination exceeding a defined level requires a farmer to wait three years after an incident to plant an organic crop.

"You're not just paying for that crop, you're paying for three (more) years of crops," Mr. Craig said of the lost planting opportunities.

Big drift losses have triggered trespass, nuisance and negligence lawsuits against farmers and commercial applicators, though states' common law governing these claims varies. The Minnesota Supreme Court, for example, ruled in 2012 that pesticide drift does not constitute trespass, but the law on trespass differs from state to state, said Ted Feitshans, extension associate professor in the Department of Agriculture and Resource Economics at North Carolina State University in Raleigh. In four states — Louisiana, Oklahoma, Oregon and Washington — high courts have applied strict liability to aerial pesticide applications, according to a review of state laws by Mr. Feitshans.

Farmers and chemical applicators have taken steps to prevent drift incidents. For example, Red Gold and Purdue University teamed to create DriftWatch.org, an online registry that maps the locations of sensitive crops in nine states to alert neighboring farmers who might be using herbicides.

Manufacturers, meanwhile, have redesigned spray equipment to minimize drift, and farmers have taken precautions such as creating buffer zones between fields.

However, the spread of genetically modified corn, soybeans and other crops is raising fears that drift damage — and litigation — may increase in coming years, experts say.

Monsanto is awaiting regulatory approval of dicamba-tolerant soybean and cotton seeds, while Dow AgroSciences, a unit of Dow Chemical Co., is nearing approval of 2,4-D resistant corn and soybeans.

While Dow has reformulated its branded 2,4-D to be less volatile than previous versions, farmers could use Dow's seeds with volatile generic 2,4-D, raising the odds of damaging drifts, said Jean Sieler, an attorney with Robison, Curphey & O'Connell L.L.C. in Toledo, Ohio who has represented farmers damaged by drift.

"I do think GM seeds will result in some initial flurries of litigation by those who are unconvinced by the extensive scientific study that has gone into" the seed/herbicide technology, said Kim Burke, a partner with Taft Stettinius & Hollister L.L.P. in Columbus, Ohio, who has defended farm interests in drift cases. The flurry would likely die down after a few years, he said.

Red Gold's Mr. Smith said he is less concerned about Dow's 2,4-D technology than Monsanto's dicamba-tolerant seeds. In negotiations with farmers, Dow has agreed to add spray application warnings to its labels — including warnings not to spray when winds could create drift — and has committed to track sales of seeds and its branded 2,4-D to try to prevent farmers from using a generic alternative, he said.

Monsanto has offered no similar concessions in talks with farmers, Mr. Smith said.

A Monsanto spokesman said its dicamba labeling, once approved by regulators, "will contain requirements in order to prevent unreasonable adverse effects from off-site movement."

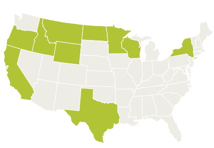
Farmers, meanwhile, are often underinsured for the ongoing risks, sources say.

The standard Insurance Services Office farm liability form provides drift coverage with a $25,000 aggregate limit, said Chris Accetta, agribusiness product director with Travelers Cos. Inc. in Hartford, Conn. The policy excludes coverage for aerial spraying, though, and covers only direct damage to crops, not consequential damages such as an organic farm's loss of income from future crops.

Many insurers offer larger limits than the standard $25,000, but even the $50,000 to $100,000 that some farmers buy is probably not enough, particularly if defense costs are included within the limit, as is the case in many policies, Ms. Sieler said.

Farmers would be better off paring back umbrella liability coverage, which often doesn't include drift, she said, and using the money to buy additional drift liability limits.

"$25,000 is never going to cover it, especially with an eroding limit," she said.



ORGANIC CROP LEADERS

States ranked by 2011 certified organic cropland acreage

State	Acres
California	405,473
Oregon	326,115
Montana	167,915
New York	158,618
Wisconsin	158,271
North Dakota	144,007
Texas	136,806
Minnesota	131,005
Wyoming	123,563
Idaho	88,663

Source: U.S. Department of Agriculture

Genetic drift a growing concern

Along with chemical drift, farmers face the problem of genetic drift — the migration of genetically modified seeds or pollen into fields of organic or conventional crops.

In one of the largest contamination settlements to date, a unit of Bayer A.G. agreed in 2011 to pay $750 million to U.S. rice farmers who claimed their crops were tainted by a Bayer GM rice strain, making them unmarketable overseas.

More recently, wheat farmers in Oregon have filed class action suits against Monsanto Co. after discovering an experimental strain of the company's herbicide-resistant wheat growing in their fields. The farmers claim the GM wheat, which has not been approved for sale, escaped from Monsanto test fields and has damaged their wheat exports to countries that do not permit GM crops.

Monsanto has moved to dismiss the complaints, which are pending in U.S. District Court in Kansas City, Kan.

By Douglas McLeod

ORGANIC FARMING GAINS GROUND

Comparisons of certified organic cropland vs. total farm acreage show organic farming has a small but growing presence in the United States.

Cropland	2005	2008	2011
Total	373,607,141	370,653,755	370,653,755
Organic	1,723,271	2,643,221	3,084,989
Organic percentage	0.46%	0.71%	0.83%

Source: U.S. Department of Agriculture

Risk managers, insurers oppose extending Europe's environmental law

BY STUART COLLINS

A review of Europe's Environmental Liability Directive is expected to produce proposals that would extend strict liability to all potential polluters, but risk managers and insurers say they prefer to see the existing law work effectively without any changes.

The directive, implemented in 2004, established a framework environmental liability regime across the European Union that is based on the principle of the polluter pays.

It has a two-tier structure, with high-risk companies such as the waste, chemical and petrochemical industries being subject to strict liability for environmental damage. Other polluters would be assessed based on their fault in causing pollution.

E.U. member states were supposed to implement the directive through national laws by 2007, but only four met the deadline due to the legislation's complexity. While it was fully transposed into member states' laws in 2010, the nations' requirements are not uniform.

The European Commission commissioned studies on the effectiveness, legal and biodiversity issues related to the directive. A report is due in April, which several industry experts say could result in proposals to extend strict liability to all polluters.

"Overall, insurers in Europe are supportive of the aims of the ELD, and we are satisfied with how the ELD stands at E.U. level," said Carmen Bell, policy adviser for nonlife insurance at Insurance Europe, the Brussels-based body representing insurers in Europe.

"However, there is debate about extending the regime further and whether to make financial security guarantees compulsory via the directive — moves that Insurance Europe does not support," Ms. Bell said.

The European Commission is studying the scope of and exceptions to the directive, including whether to extend strict liability to less hazardous operators, she said.

The 2010 loss of the Deepwater Horizon oil platform in the Gulf of Mexico and subsequent pollution of the U.S. waters and coastline prompted the E.U. last June to extend the directive to offshore oil and gas operations in European waters.

Insurance Europe opposed the move, citing cleanup difficulties, the ability to competently assess damage and limited market capacity available to insure such large exposures, Ms. Bell said. It also said it thinks decisions on financial security guarantees should be left to member states.

"We do not support compulsory financial security for the ELD at an E.U. level. Though it is growing, the environmental liability market is still relatively small and niche at this time in comparison to other, more traditional markets. Such a measure would hinder the further development of this market, as a sudden surge in demand might be too much for insurers to absorb," Ms. Bell said.

> "We oppose proposals to introduce compulsory insurance across Europe, and we certainly do not support proposals to extend the scope of the directive."
>
> Carl Leeman,
> Katoen Natie

Risk managers also do not want to see changes to the directive, said Carl Leeman, chief risk officer of global logistics firm Katoen Natie, based in Antwerp, Belgium.

"We oppose proposals to introduce compulsory insurance across Europe, and we certainly do not support proposals to extend the scope of the directive," Mr. Leeman said.

Compulsory insurance would not be in the interest of buyers and be a disincentive to use enterprise risk management, since some companies might be tempted to rely more on their insurance, said Mr. Leeman, who also is a board member of the Federation of European Risk Management Associations and president of the International Federation of Risk and Insurance Management Associations.

"The result would be that companies that manage their environmental risks would end up paying more for their insurance as they subsidize the bad risks of others. And for those that want to insure themselves, there is already enough capacity," Mr. Leeman said.

Insurers have responded by offering specific environmental coverage.

Some countries, such as Portugal, have extended financial security requirements to all operators, as allowed by the directive, said Cliff Warman, EMEA environment practice leader at Marsh Ltd. in London. Many Marsh clients in Portugal have purchased insurance to comply with the requirement, he said.

Eventually, all European nations could have such requirements, he said. "If you read between the lines of the directive, the intent is for member states to work towards financial security requirements as insurance markets develop."

"Rather than making changes, (risk managers) would much prefer to see efforts focused on creating a level playing field for environmental liability law across Europe," Mr. Leeman said. "There are still too many differences in how the ELD has been implemented between member states."

Member states' different interpretations have "resulted in a patchwork of environmental liability regimes across the European Union in which some are stricter than others. It has not resulted in a level playing field," said Stephen Andrews, London-based head of environmental-EMEA at American International Group Inc.

The upcoming review will recommend options to the European Commission, but it will not make legislative proposals, said Julien Bedhouche, Brussels-based European affairs representative at FERMA. Maintaining the status quo is an option, he said.

COVERAGE ADAPTED TO MEET E.U. DIRECTIVE REQUIREMENTS

While the approaches have varied, the insurance industry has responded to Europe's Environmental Liability Directive by revising the coverage they offer.

"Insurers initially embedded key ELD clauses into specialist environmental insurance policies, and over time they honed the cover to respond to other aspects of the directive, such as the ability to cover complementary and compensatory remediation," said Cliff Warman, EMEA environment practice leader at Marsh Ltd. in London.

The insurance covers instances when pollution caused to the environment can be remediated, as well as instances when a site is so polluted that it would have to be replaced or when it may take many years to recover.

Buyer interest in purchasing environmental liability coverage also has increased, he said.

"The profile of buyers has broadened since the implementation of the directive," Mr. Warman said. "Now, most types of companies will consider the cover rather than the traditional higher-risk operators and transactional, or mergers and acquisitions-based, purchases of pre-ELD days."

Adequate insurance for environmental exposures is available in each European country, but different markets have taken different approaches to environmental insurance, said Jürgen Weichert, Munich-based head of global product development of liability at Allianz Global Corporate & Specialty, a unit of Allianz S.E.

"In some countries, the approach has been to offer specialty environmental liability (like the U.K.), but in others, like Austria and Germany, insurers have worked with their trade associations to develop cover for ELD risks under a general liability extension," Mr. Weichert said.

"It is important to not just translate the insurance policy developed for one country and use it in another. Policies need to take into account local markets, law and language. And you also need people locally to handle claims and risk engineering," he said.

By Stuart Collins

ENVIRONMENTAL LIABILITY INSURERS

Insurers that provide environmental liability coverage

Company and website	Products	Per-occurrence limits
Ace Ltd. *www.acegroup.com*	Contractor pollution Premises pollution Public/educational entity pollution liability	Up to $25 million
Allied World Assurance Co. Holdings A.G. *www.alliedworldinsurance.com*	Contractor pollution liability Contractor professional and pollution liability Environmental commercial umbrella Health care organization environmental liability Pollution legal liability Primary environmental	Primary up to $10 million All other up to $25 million
American International Group Inc. *www.aig.com*	Commercial pollution legal liability Contractor pollution liability Environmental and general liability Pollution legal liability	Up to $25 million
Arch Capital Group Ltd. *www.archinsurance.com*	Contractor pollution and professional liability Contractor pollution residential wrap-up liability Environmental consultant professional and pollution liability Environmental multiline Environmental multiline excess Pollution legal liability	Up to $25 million
Aspen Insurance Holdings Ltd. *www.aspen.co*	Construction environmental pollution liability Site environmental pollution liability	Up to $25 million
Chubb Corp. *www.chubb.com*	Contractor pollution Environmental site liability Pollution liability	Up to $25 million
Great American Insurance Co. *www.greatamericaninsurancegroup.com*	Closure and post-closure Contracting services Excess Indoor air quality and mold Premises Professional and contracting services Project-specific contracting services	Up to $35 million
Ironshore Inc. *www.ironshore.com*	Contractor environmental liability Education site pollution Environmental package Excess Health care site pollution Hospitality site pollution Oil and gas site pollution Vacant or partially occupied commercial property	Up to $30 million
Liberty Mutual Holding Co. Inc. *www.liu-usa.com*	Contractor and professional services Contractor pollution liability Environmental contractor, consultant and lab package Fixed-site pollution legal liability Storage tank third-party liability, corrective action and cleanup	Up to $25 million
The Navigators Group Inc. *www.navg.com*	Contractor pollution liability Environmental consultant general, environmental and professional liability Environmental excess Manufacturer and distributor general and environmental liability Site pollution legal liability	Up to $10 million
Philadelphia Consolidated Holding Corp. *www.phly.com*	Contractor environmental Contractor environmental and professional Premises environmental	Up to $25 million
St. Paul Surplus Lines Insurance Co. *www.travelers.com*	Contractor pollution liability Site pollution liability	Up to $10 million
Starr Cos. *www.starrcompanies.com*	Contractor pollution liability Site pollution liability Transportation pollution liability	Up to $25 million
XL Group P.L.C. *www.xlgroup.com*	Closure and post-closure Contractor pollution liability Pollution and remediation Professional and contractor pollution liability Real estate lenders	Up to $50 million
Zurich North America *www.zurichna.com*	Environmental liability Transaction-focused real estate environmental liability	Up to $25 million

Source: *BI* research

POLLUTION LEGAL LIABILITY INSURANCE TRENDS

Average total limits purchased by company size and covered sites, in millions of dollars

Year	All companies	$1 billion-plus revenue	25-plus sites
2013*	$9.5	$13.5	$10.6
2012	$9.7	$12.9	$13.5
2011	$11.1	$15.6	$19.2
2010	$11.0	$15.8	$18.8
2009	$12.8	$17.9	$19.2
2008	$12.8	$17.9	$22.8

*First half
Source: Marsh Inc., Marsh Global Analytics

RESERVES AND LOSSES

Commercial insurance reserves and losses for the past five years, in millions of dollars

Year	Net reserves	Net incurred losses	Net paid
2012	$3,500	$500	$600
2011	$3,700	$500	$600
2010	$3,800	$500	$700
2009	$4,000	$400	$600
2008	$4,200	$300	$800

Source: A.M. Best Co. Inc.

LIMITS PURCHASED

Average environmental liability limits purchased during the first half of 2013, in millions of dollars by industry

Industry	All companies	$1 billion-plus revenue
Chemical	$11.5	$12.8
Construction	$5.7	$9.0
Manufacturing	$11.2	$15.1
Power and utilities	$8.9	$18.3
Real estate	$8.7	$6.5
Retail/ wholesale	$8.3	$13.0
Services	$10.5	$25.0

Source: Marsh Inc., Marsh Global Analytics

PUBLIC NOTICES

ANTI-FRAUD NOTICE

Amalgamated Life Insurance Company is committed to preventing fraud in regard to the insurance coverage it issues. Therefore, Amalgamated Life, as required by the New York State Department of Financial Services makes the following statement:

Any person who knowingly and with intent to defraud any insurance company or other person, files an application for insurance or statement of claim containing any materially false information, or conceals for the purpose of misleading, information concerning any fact material there-to, commits a fraudulent insurance act, which is a crime and shall also be subject to a civil penalty not to exceed five thousand dollars and the stated value of the claim for each such violation.

Anyone knowing of a fraudulent act should call Ellen Dunkin at:

Amalgamated Life Insurance Company
333 Westchester Ave.
White Plains, NY 10604
800-624-5844

LEGAL NOTICE

IN THE MATTER OF THE LIQUIDATION OF ATLANTIC MUTUAL INSURANCE COMPANY
Supreme Court County of New York
Index No.: 402424/10
NOTICE

Pursuant to an order of the Supreme Court of the State of New York, County of New York, entered on April 27, 2011, the Superintendent of Insurance of the State of New York and his successors in office were appointed as liquidator ("Liquidator") of Atlantic Mutual Insurance Company ("Atlantic Mutual") and, as such, has been directed to take possession of Atlantic Mutual's property and liquidate its business and affairs pursuant to Article 74 of the New York Insurance Law ("Insurance Law"). The Superintendent of Financial Services of the State of New York has now succeeded the Superintendent of Insurance as Liquidator of Atlantic Mutual. The Liquidator has, pursuant to Insurance Law Article 74, appointed Michael J. Casey, Acting Special Deputy Superintendent ("Acting Special Deputy"), as his agent to liquidate the business of Atlantic Mutual. The Acting Special Deputy carries out his duties through the New York Liquidation Bureau, 110 William Street, New York, New York 10038. The Liquidator has submitted to the Court an affirmation ("Affirmation") seeking an order: (i) establishing January 16, 2015 as the final bar date, the final date by which the Liquidator must actually receive in respect of any claim presented prior to December 15, 2013 (the "Bar Date" established in the proceeding by order of the Court entered on December 2, 2013) any and all evidence demonstrating (a) that such claim has been liquidated and (b) that there has been actual loss and/or payment in respect of such claim; and (ii) providing for such other and further relief as the Court may deem just and proper.

A hearing is scheduled on the Affirmation on the 11th day of February, 2014, before the Court at the Courthouse, IAS Part 15, Courtroom 327, 80 Centre Street, New York, New York. If you wish to object to the relief sought, you must serve a written statement setting forth your objections and all supporting documentation upon the Liquidator and Clerk of the Court, at least seven days prior to the hearing. Service on the Liquidator shall be made by first class mail at the following address: Superintendent of Financial Services of the State of New York as Liquidator of Atlantic Mutual Insurance Company, 110 William Street, New York, New York 10038, Attention: General Counsel.

The Affirmation is available for inspection at the above address. In the event of any discrepancy between this notice and the documents submitted to Court, the documents control.

Requests for further information should be directed to the New York Liquidation Bureau, Creditor and Ancillary Operations Division, at (212) 341-6588.

Dated: January 9, 2014, Benjamin M. Lawsky, Superintendent of Financial Services of the State of New York as Liquidator of Atlantic Mutual Company of New York.

LEGAL NOTICE

NOTICE OF PROPOSED AMENDING SCHEME OF ARRANGEMENT
IN THE MATTERS OF

OIC RUN-OFF LIMITED
(formerly Ralli Brothers Insurance Company Limited and The Orion Insurance Company plc)
and THE LONDON AND OVERSEAS INSURANCE COMPANY LIMITED
(formerly Hull Underwriters' Association Limited and The London and Overseas Insurance Company plc)

(BOTH SUBJECT TO A SCHEME OF ARRANGEMENT) (TOGETHER THE "COMPANIES")

On 7 March 1997 the Companies, which are insolvent, became subject to a scheme of arrangement (the "**Original Scheme**"). The current Scheme Administrators are Dan Schwarzmann and Paul Evans, both of PricewaterhouseCoopers LLP. The Companies have been developing an amending scheme of arrangement under Part 26 of the Companies Act 2006 (the "**Amending Scheme**"). If you believe that you are, or may be, a creditor of one or more of the Companies (a "**Scheme Creditor**") you may be affected by the proposed Amending Scheme.

The Original Scheme is a reserving scheme of arrangement under which the Companies continue to agree Scheme Creditors' claims in the ordinary course of business. The Amending Scheme would convert the Original Scheme to a crystallisation scheme of arrangement under which Scheme Creditors' claims, including notified outstanding liabilities and incurred but not reported claims, would need to be submitted to the Companies by a specified bar date. The primary objective of the Amending Scheme is to enable Scheme Creditors' claims to be valued and the Companies' assets to be distributed to Scheme Creditors earlier than would be the case under the Original Scheme.

This Notice informs you of:

(a) the Scheme Administrators' decision to propose the Amending Scheme;

(b) the Scheme Administrators' intention to apply to the High Court of Justice at the Royal Courts of Justice, 7 Rolls Building, Fetter Lane London EC4A 1NL, for a Court hearing (the "**Court Hearing**") for permission for the Companies to convene the necessary meetings of Scheme Creditors to consider and, if thought appropriate, approve (with or without modification) the Amending Scheme; and

(c) the place where you can locate details of the composition of the meetings of Scheme Creditors which the Companies propose to convene for the purpose of voting on the Amending Scheme. Information on the proposed classes of Scheme Creditor, as well as other important information in relation to the Amending Scheme, can be found in the Practice Statement Letter which is available on the Companies' website at www.oicrun-offltd.com.

The date, time and location of the Court Hearing will also be confirmed on the website once known.

If you are a broker, agent or other intermediary who has acted on behalf of Scheme Creditors in placing business with one or more of the Companies and you have not provided detailed policyholder contact information to them, please forward this notice to your clients. Alternatively, please provide us with your clients' names and addresses so we can write to them directly.

Certain policyholders may have a policy written through a broker facility (which includes brokers covers, broker lineslips and binding authorities) and may not know the identity of the insurance company. A list of known broker facilities is available on the Companies' website.

FURTHER INFORMATION CAN BE OBTAINED BY CONTACTING THE COMPANIES AS FOLLOWS:

By Post: Armour Risk Management Limited, 4th Floor, 20 Old Broad Street, London EC2N 1DP, United Kingdom, marked for the attention of Andrew Jones
By e-mail: OICClosureHelpdesk@armourrisk.com
By phone: +44 (0) 20 7382 2020
By fax: +44 (0) 20 7382 2001

MEDIA PARTNER

Cooper Gay Australia launches wholesale unit

Cooper Gay Australia Pty. Ltd., a unit of Cooper Gay Swett & Crawford Ltd., has launched a wholesale division for the Australian insurance market.

The division will serve as an intermediary between independent insurance agents and insurers, the broker said in a statement.

Jonathan Hyde, who joined Cooper Gay Australia last July as head of production, is running the wholesale division and is responsible for developing the company's wholesale business and broker relationships, according to the statement.

"The CGSC Group, with 60 offices and 1,600 staff positioned around the globe, provides market-leading expertise and reach for insurance professionals, and we're delighted to be able to deploy that resource in Australia through our new wholesale division," Jon Calverley, managing director of Cooper Gay Australia, said in the statement.

Aviation insurer joins London-based platform

Altitude Risk Partners L.L.P., which underwrites aviation coverage, has launched as the first underwriting cell using the Castel Underwriting Agencies Ltd. managing general agency platform.

Altitude Risk Partners underwrites coverage for airlines, manufacturers, general aviation, war and space risks, the company said in a statement.

It is backed by capacity provided by Barbican Group Holdings Ltd., HDI-Gerling Industrie Versicherung A.G. and Sompo Japan Insurance Inc. on a quota share basis, according to the statement.

The founding underwriters of Altitude Risk Partners are David Godley, previously senior underwriter for airlines and general aviation business at Global Aerospace Underwriting Managers Ltd.; and Richard Power, previously senior airline class underwriter at Catlin Group Ltd. Both are based in London.

They have been joined by Tim Wright, previously group space underwriter at Global Aerospace, the company said in the statement.

Castel Underwriting Agencies is a club-style MGA platform developed to support individuals or teams of underwriters with niche or specialist books of business. Barbican launched the London-based MGA last year.

Berkshire Specialty adds builders risk cover

Berkshire Hathaway Specialty Insurance, the Boston-based commercial insurance arm of Berkshire Hathaway Inc., has added builders risk insurance to its commercial property offerings.

"Builders risk is a natural extension of our property and specialty lines expertise," Sanjay Godhwani, Berkshire Hathaway Specialty's executive vice president of property and programs, said in a statement. "These new capabilities enable us to round out our construction offering, bringing large-scale capacity and technical underwriting experience to large projects."

Robert Tricamo has been named to the new post of vice president of construction, overseeing the specialty unit's entry into the builders risk marketplace.

PRODUCTS & SERVICES

Insurers back open-source cat model

Oasis Loss Modelling Framework Ltd., a platform owned by 21 international insurers and reinsurers, has launched an open-source catastrophe modeling framework in London.

The framework is open to any party, whether commercial or academic, interested in devising new catastrophe risk models, said Dickie Whitaker, project director for the framework.

It enables users to access to various models and gives developers a platform to distribute their offerings to a wider audience, he said.

While Oasis Loss is a nonprofit, developers will be able to charge fees for the development and use of models, Mr. Whitaker said.

The platform will enable insurers, reinsurers, brokers, buyers and others to better understand uncertainties surrounding some of their modeled risks, gain insights into their risks and compare models, said Trevor Maynard, head of exposure management and reinsurance at Lloyd's of London, one backer of the platform.

Currently, several commercial catastrophe models are available on the platform, said Mr. Whitaker, including models for flooding in the United Kingdom and Australia, and earthquakes in the United States, North Africa and the Middle East.

Models in development and to be released in the coming months include U.S. and Thai flooding and U.S. earthquakes, he added.

Partnership expands physician liability offerings

Premier Insurance Management Services Inc., a wholly owned subsidiary of Charlotte, N.C.-based Premier Inc., has partnered with Omaha, Neb.-based Preferred Professional Insurance Co.

The partnership expands Premier's insurance offerings in physician professional liability, the company said.

The benefits of the new agreement for Premier PIMS members include a physician professional liability product with risk management and claims-free discounts; free continuing medical education credits; customized practice assessments for physicians and staff members; "consent to settle" coverage; and a quarterly interest-free payment plan, the company said in a statement.

The "professional liability product offers a valuable opportunity for associated Premier physicians to receive expert risk education and services," PIMS President Robert Dowdy said in the statement.

OSHA launches website to promote hospital safety

The U.S. Occupational Safety and Health Administration launched an educational website that is designed to help hospitals prevent on-site employee injuries and enhance patient safety.

The Worker Safety in Hospitals website contains a library of fact books, self-assessment tools and best practice guides for hospital risk managers seeking to identify and address workplace safety needs, improve patient handling programs, and implement more comprehensive safety and health management systems within their facilities.

In addition to tutorials and best practice guides, the website contains up-to-date libraries of federal workplace safety and health regulations, as well as links to on-site injury and illness statistics maintained by the U.S. Bureau of Labor Statistics.

Privately owned hospital systems recorded 248,100 work-related injuries and illnesses in 2012 — nearly 58,000 of which caused employees to miss work, resulting in workers compensation costs of approximately $2 billion industrywide, according to BLS data.

Among the most common causes of hospital worker on-site injuries in 2012 were overexertion from lifting and moving patients, slips and falls, and workplace violence.

Bermuda regulator taps electronic reporting

The Bermuda Monetary Authority plans to roll out electronic reporting to Bermuda-domiciled captive insurance companies.

The BMA said in a statement it would amend Bermuda's insurance legislation during the second quarter to make an enhanced statutory financial return the annual requirement for captives. It is consolidating previous filing requirements with a new risk self-assessment.

The enhanced SFR will be submitted electronically, the BMA said, and will increase efficiency in the filing process while enhancing the data collected.

The BMA said its 2014 plan also includes implementing group capital requirements for Bermuda's largest insurance groups, with the new requirements applying to reporting for the 2013 financial year and phased in over five years.

DEALS & MOVES

USI Insurance buys two mid-market brokers

USI Insurance Services L.L.C. said it has acquired Travers, O'keefe & Associates Inc., a middle-market employee benefits broker based in New York; and Oscar & Associates, a West Caldwell, N.J.-based wholesale benefits broker and consultant.

Terms of the deals were not disclosed.

Travers, O'keefe's headquarters will be consolidated with Valhalla, N.Y.-based USI's New York office, while USI's Albany, N.Y., office will be merged with Travers, O'keefe's Saratoga, N.Y., office, USI said in a statement.

Founded in 1986, Travers, O'keefe specializes in employee benefits, benefits consulting, human resources services, compliance and employee support to midsize employers, USI said.

Founded in 1984, Oscar & Associates specializes in group health and voluntary benefits placement and consulting for small and midsize employers.

The company will be folded into Emerson Reid L.L.C., USI's New York-based benefits wholesale unit, according to a USI statement.

Willis buys benefits business of Capital Strategies

Willis North America Inc. has acquired the employee benefits consulting division of Birmingham, Ala.-based Capital Strategies Group Inc.

Capital Strategies provided employee benefits plan design, consulting and placement services to clients in the U.S. Southeast since 1997.

Its employee benefits consulting division has been merged with the human capital practice of Willis of Alabama Inc., the brokerage said in a statement.

George Gould, principal and leader of Capital Strategies' employee benefits division, joined Willis' operations in Alabama as a senior vice president.

A spokeswoman for the company said the benefits division's five other employees also joined Willis' human capital practice in Birmingham.

"Organizations are facing a rapidly evolving environment with respect to health care, employee benefit programs, regulation and talent, all while trying to control costs," Rob Allen, president of Willis of Alabama, said in the statement. "In this context, we see strong demand for innovative solutions."

Terms of the sale were not disclosed.

Risk Strategies purchases Singer Nelson Charlmers

Boston-based brokerage Risk Strategies Co. has acquired Teaneck, N.J.-based broker Singer Nelson Charlmers, Risk Strategies said.

Terms of the deal were not disclosed.

Singer Nelson Charlmers focuses on professional liability, employee benefits and private client lines for architectural, engineering and law firms and client firms' principals.

Singer Nelson Charlmers CEO David Singer has joined Risk Strategies as managing director, along with approximately 35 employees, according to the statement.

"The synergies between Singer Nelson Charlmers and Risk Strategies are striking and highly complementary, adding significant scale and expertise to our professional liability, employee benefits and private client practices," Michael Christian, CEO and founder of Risk Strategies, said in the statement.

PRIVATE EXCHANGES ADD TO HEALTH CARE OPTIONS

CARY GRACE

AON HEALTH EXCHANGE SOLUTIONS

A major recent development in the employee benefits realm has been the establishment and growth of private health insurance exchanges. Within the past year, several benefit consultants including Aon Hewitt, Buck Consultants L.L.C. and Mercer L.L.C. have launched exchanges that have grown rapidly. For example, employee enrollment in Aon Hewitt's exchange tripled to 330,000 since its January 2013 launch. Participating employers, including Sears Holdings Corp. and Walgreen Co., leaped sixfold to 18. In a recent conversation with *Business Insurance* Editor-at-Large Jerry Geisel, Cary Grace, CEO of Aon Health Exchange Solutions and president of client solutions and strategies at Aon Hewitt in Lincolnshire, Ill., discussed factors affecting the growth of private health insurance exchanges. Edited excerpts follow.

Q&A

Q What are some of the factors driving growth?

A There are a number of trends that are occurring simultaneously. The first is the significant increase in health care costs for both employers and employees. For the employer, these are cost increases that are hard to predict with a volatility that is challenging to manage.

Q For employers, what is the appeal of a private insurance exchange compared with directly providing coverage to employees?

A From an employer perspective, it enables them to give to employees better choices at different price points for health care plan options from which employees can choose. Employers can say to their employees, "I am now giving you a set of health care plan options where there is very broad choice." Exchanges give employers an ability to say that they have not only given their employees a wide range of health care plan options, but also give employers much more predictability about what their health care plan costs will be.

Q For employees, what are the advantages of choosing coverage through a private health insurance exchange?

A Exchanges give employees broader choices in the form of a shopping experience. There are more plans to choose from and there are more price points. Employees also can get help in making the right plan choice for them.

Q Are there certain types of employers for which private insurance exchanges are especially attractive?

A We are getting interest from employers in every industry. The interest is broad, and the interest is increasing. Companies have to have a need for change. They also have placed a high value on providing choice to their employees.

Q When I have a problem related to the health care plan in which I have enrolled, I can talk to my company's employee benefits department. But when employers arrange coverage through an exchange, can a third party do as good a job in addressing employees' health care plan-related issues as their employers?

A The answer is yes. We provide a lot of support for employees. We are very adept at that. There are two areas where employees tend to need a lot of support. One is at open enrollment, and that is where we help employees understand the options available to them. We provide a tremendous amount of information, communications, support and guidance. Secondly, say during the year, something comes up. Employees, for example, can't get something they need from a provider and they need additional support. We have advisers who will help them with whatever they need.

COMINGS & GOINGS

UP CLOSE: JON K. MILES

LANCASTER, PA.-BASED PRESIDENT AND CHIEF OPERATING OFFICER OF INSURANCE BROKERAGE

Engle-Hambright & Davies Inc.

PREVIOUS POSITION: Regional vice president for the Pennsylvania offices in Wyomissing, Stroudsburg and Pittsburgh of Engle-Hambright & Davies Inc.

GOALS FOR NEW POSITION: We just finished a historic year for us. We expanded geographically by opening an office in Pittsburgh. We now have a presence in western Pennsylvania. We also created a new practice group in the wood industry that joins some of our current practice groups, including construction, manufacturing, and agribusiness and public entities.

INDUSTRY CHALLENGES: We are very much concerned about our clients and making sure we are meeting their needs. We are coming out of an economic downturn and we are recovering. Some of the challenges are making sure we focus on our core values, our clients' needs and our employees.

WHAT I WOULD CHANGE: The continued crazy underwriting cycles. We and clients would like slow and steady wins the race instead of seven years of price slashes and then upturns.

FIRST INDUSTRY JOB: PMA Insurance Co. in Bluebell, Pa. I started as a customer service rep and then moved into a sales position.

ADVICE: Cram as many varied experiences into your career that pay dividends down the road. Take advantage of opportunities and education.

HOBBIES: Faith, family and friends. Following that, I love golf, reading and sports.

THING MOST PEOPLE DON'T KNOW ABOUT ME: I'm the oldest of six children. I'm a big brother.

FAVORITE BOOK: "The Godfather" by Mario Puzo. I'm half Italian and half Welsh and it struck me.

FAVORITE MEAL: Spaghetti and meatballs, closely followed by a New York strip steak.

BEST CITY: I love Pittsburgh. It's my favorite city, but Cape May, N.J., is my favorite place.

Professional Moves & Promotions

Visit ***www.businessinsurance.com/ComingsandGoings*** for a full list of this week's personnel moves and promotions. Check our website daily for additional postings and sign up for the weekly email.

BROKERS

Swett & Crawford Group Inc.	Gregg Higgins
Hub International Ltd.	Marc Cohen
Hub International Ltd.	Jack McGrath
Lockton Cos. L.L.C.	Jackie Sukiasian

INSURERS

QBE Insurance Group Ltd.	Uwe Schoberth
Metropolitan Life Insurance Co.	Meredith Ryan-Reid
Argo Group International Holdings Ltd.	Matt Stollery
Chubb Corp.	Tony Statham

REINSURANCE

Montpelier Re Holdings Ltd.	Daniel Brookman
Swiss Re Ltd.	Tony Buckle
Barbican Group Holdings Ltd.	Lucy Town

OTHER

York Risk Services Group Inc.	Rob Gelb
Adelson, Testan, Brundo, Novell & Jimenez	Gina M. Jacobs

Business Insurance would like to report on senior-level changes at commercial insurance companies and service providers. Please send news and photos of recently promoted, hired or appointed senior-level executives to: Kate Shepherd, *Business Insurance*, 150 N. Michigan Ave., Chicago, Ill. 60601-7524. ***kshepherd@businessinsurance.com***.

COMMUTATION

Continued from page 4

proposed by Scottish Lion Insurance Co. Ltd., policyholders have voiced fears that solvent schemes potentially may result in their claims being undervalued.

In the case of Scottish Lion, a London market insurer and reinsurer that stopped underwriting in 1994 and went into runoff although it was still solvent, the company proposed a scheme of arrangement that was approved by votes representing 75% of values of outstanding claims, but it was opposed by five U.S. policyholders.

Those policyholders argued that the occurrence-based coverage they had bought from Scottish Lion was a valuable and irreplaceable asset that they would rather retain asset than surrender for an estimated value of incurred but not reported claims.

A Scottish court allowed the policyholders to challenge the proposed scheme, but that decision was overturned on appeal in 2010.

While the Prudential Regulation Authority appears to have signaled that solvent schemes will need to be considered on their merits, such plans likely will be able to proceed if they give "continuity of cover" for policyholders, said Geraldine Quirk, a partner in the corporate insurance team at Clyde & Co. L.L.P. in London.

Insurers wishing to propose solvent schemes likely will require further clarification from the regulator on its stance, she said.

In a briefing note, law firm Freshfields Bruckhaus Deringer L.L.P. in London said that while solvent schemes occasionally may result in policyholders receiving less for their claims than they otherwise would have, in some cases the reverse is true.

And in some instances, policyholders may receive a payout when no claim ever would have occurred, it said.

Companies that may have been considering proposing solvent schemes of arrangement may reconsider if the Prudential Regulation Authority decides that it does not believe such plans are consistent with its objectives, even though it is a court, rather than the regulator, that rules on the fairness of such plans, the firm added.

Law firm Herbert Smith Freehills L.L.P. in a briefing note said that, if the regulator decides it is not favorable to solvent schemes of arrangement, then fewer such schemes likely will be proposed.

A METHOD OF TRANSFERRING DEBT

A solvent scheme of arrangement is a mechanism that a U.K.-incorporated company, or any company with sufficient connection to the United Kingdom, can use.

The schemes allow debts, including incurred liabilities under insurance policies, to be transferred to another company.

Votes representing at least 75% of the value of creditors, including policyholders, must be secured at a meeting of creditors for a solvent scheme of arrangement to be allowed to proceed.

A court must determine whether such an arrangement is fair to creditors, including policyholders.

Solvent schemes of arrangement have been used by insurance companies for the past 15 years. They are regulated by the Companies Act 2006.

By Sarah Veysey

PRACTICES

Continued from page 4

company's remediation strategies, especially following a significant regulatory change or judicial ruling.

For example, in light of the U.S. Supreme Court's June 2013 ruling in *Mayetta Vance v. Ball State University et al.*, which significantly narrowed the definition of "supervisor" in federal discrimination cases, human resource directors and in-house counsel would be well advised to ensure that their entire workforce is informed of the practical implications of that decision, panelists said.

"We make it very clear for our employees and set explicit standards outlining the level of oversight and decision-making responsibility they do and do not have within the workforce," said Christian White, labor and employment counsel at Sofitel Luxury Hotels and Resorts in New York. "We also make it a point to speak directly with our employees, and make sure they're clear on who it is that actually supervises them."

A lack of supervisor training in dealing with employee requests for accommodation under the Americans with Disabilities Act and the Family and Medical Leave Act is another worrying issue that arises frequently among employers, panelists said. Mishandling or improper denial of such requests can easily result in a discrimination lawsuit.

"One hurdle we ran into a few years ago was that our store-level managers didn't know how to receive or process requests for ADA accommodations," said Mary Harokopus, senior labor and employment counsel at Plano, Texas-based Rent-a-Center Inc. "You need to make sure that you're keeping track of who's fielding those requests and that those managers are trained to properly handle them, especially regarding what they can and cannot say to an employee making the request."

To the extent that it's documented, harassment and discrimination training also can support both an affirmative defense in a lawsuit and a claim for coverage under an employment practices liability insurance policy, said Kenneth Latham, vice president and EPLI product manager at Philadelphia-based Ace USA.

> "A bad day for us is any day when we have a client coming to us with no documentation. We want to make sure our insureds are being more proactive."
>
> Kenneth Latham, Ace USA

"A bad day for us is any day when we have a client coming to us with no documentation," Mr. Latham said. "We want to make sure our insureds are being more proactive."

Another core element of workplace discrimination and harassment prevention and claims management strategies that panelists said employers frequently overlook is the need for consistent, in-person communication among their internal risk management, human resources and legal departments.

"Internal communication is one of the biggest things," said Christopher Paetsch, vice president and associate general counsel at New York-based Kaplan Inc. "Absent someone else in your organization who takes that initiative upon themselves, it really does fall to the in-house counsel to get out of your office and start these discussions face-to-face. That can be a good early warning system for things that are going on within the workforce, and can put you in a better position to head them off."

Panelists also encouraged employers to be as forthcoming as possible with external EPL insurers, specifically regarding early mitigation efforts to prevent disputes over coverage when discrimination, harassment or retaliation allegations are made against them.

"It's OK to have a discrimination or a harassment charge, but employers need to tell us what happened, what they've already done and what they're still doing to address it going forward," said Trudy Hardin, a Denver-based vice president and EPLI product manager at Aon P.L.C. "If there's good interaction between your legal team, your operations teams and all the other stakeholders in the equation, it's less likely that the insurer is going to be unpleasantly surprised when a claim does happen."

MERGERS

Continued from page 3

Wright Insurance is owned by Aquiline Partners Capital L.L.C., a New York-based private equity firm headed by CEO Jeffrey W. Greenberg, former CEO of Marsh & McLennan Cos. Inc.

Wright Insurance has 15 offices in 11 states that generated $113.7 million in net brokerage revenue in 2012. Brown & Brown, known for growing through acquisition, ranked seventh on the most recent *Business Insurance* ranking of brokerages of U.S. business, with revenue of $1.4 billion with 246 offices in 41 states. It also has offices in London, Bermuda and the Cayman Islands. The deal is expected to close in the spring.

"I think it's a good transaction for both parties," John Ward, CEO of Loveland, Ohio-based Cincinnatus Partners L.L.C., a private equity firm specializing in the insurance industry, said of the Wells Fargo divestiture.

"(Wells Fargo's) objective is to streamline their operation to focus on larger markets and to align with the company's banking operations," Mr. Ward said. "For USI, they are looking to build up their capabilities in middle America, and this is a great transaction for them for going into smaller cities."

"(Wells Fargo is) rationalizing the operation and focusing on larger accounts," said Jim Auden managing director at Fitch Ratings Inc. in Chicago. USI "has been an acquirer of smaller agencies and brokerages for a long time, so it really fits their model. It makes sense for them to acquire a block of offices like this."

While Wells Fargo divested 42 of 97 offices, the deal represented only about 10% of its overall brokerage revenue, said Laura Schupbach, head of insurance for Wells Fargo in Denver.

"What this has done for us is let us focus our investment, our management, our attention and our national resources on this smaller group of offices that places us in the sweet spot for brokerages, which is that middle-market or upper middle-market client," she said.

She dashed any speculation Wells Fargo might be exiting the insurance business. "This is a growth strategy," she said. "If we would have wanted to get out of the insurance business, we would have sold 97 (brokerage) offices."

Analysts agreed.

Wells Fargo selling the offices "might be a validation of the fact that they're committed to the business if they're trying to size it to meet their strategy," said John Wicher, principal at John Wicher & Associates in San Francisco. "It could be seen as a validation that they want to stay in the business. Otherwise they would have found a partner for the entire brokerage operation."

Ms. Schupbach said Wells Fargo could buy brokerages in the future.

"We certainly hope to be a buyer in the future," Ms. Schupbach said. "The right time, right place, right deal; we definitely would look at things that make sense."

Analysts also think the Wright move makes strategic sense.

"I think there is a strategic value to Wright," said Tim Cunningham, managing director of Chicago-based investment banking and consulting firm Optis Partners L.L.C. "I think there is a belief at Brown that the flood business is going to be a growth industry."

"Wright has a franchise in the flood business," which gives Brown & Brown a foothold there, Mr. Auden said.

Since 2004, Wright has been the largest administrator and processor of flood insurance for the National Flood Insurance Program, according to Brown & Brown, generating $601 million in written premiums and $71.5 million in net revenue from 676,000 policies in 2013.

"The attraction on every acquisition is always the high-quality people," said Scott Penny, chief acquisitions officer and regional vice president for Brown & Brown. "We intend to keep (Wright's) operational leadership intact," he said, saying the firms previously had done business together and company leaders knew each other for more than a decade.

"They are getting strong management in a space in which they think they can grow," said Mr. Wicher, echoing Mr. Penny's sentiments on the caliber of Wright's management.

While analysts liked these two recent significant brokerage acquisitions, they differed on the industry's appetite for deals in 2014.

"It will be a very active year for deals in the brokerage and wholesale sector," Mr. Wicher said. "Valuations continue to be strong and the cost of capital is at the lowest level in my lifetime."

Fitch's Mr. Auden was less bullish. "There are always a number of these, but I don't think it (recent activity) foreshadows a huge ramp-up in acquisitions."

ADVERTISER INDEX

Issue of February 3

ILS

Continued from page 1

between $7 billion and $8 billion in new issuance," said Paul Schultz, Chicago-based president of Aon Benfield Securities.

Aon Benfield already has made two placements this year: A $250 million cat bond issued by special purpose insurer VenTerra Re Ltd. for U.S. and Australian earthquakes and Australian cyclones covered by subsidiaries of Sydney-based QBE Insurance Group Ltd. and Windmill 1 Re Ltd., which provides Tilburg, Netherlands-based Achmea Reinsurance Co. N.V. with 40 million ($54.2 million) of collateralized protection against European windstorms. Both cover a three-year period that began Jan. 1.

In a separate forecast last week, Willis Capital Markets & Advisory projected that nonlife noninvestment-grade cat bond issuance this year will exceed last year, and also projected that $7 billion to $8 billion would be issued.

"In 2014, I think you will continue to see the ILS space grow," said Matthew Ball, Hamilton, Bermuda-based director of risk consulting and software for Towers Watson & Co.

As investors have learned more about ILS and grown more comfortable with their use, the market has grown, observers said.

"Investors are more comfortable with the asset class and more familiar with how it works and appreciate the diversification benefits it can bring to their portfolio," said Todor Todorov, a New York-based investment consultant at Towers Watson.

"I do think increasingly more institutional investors will be inquiring about the space to learn what it can do for their investment portfolio" and diversifying their investments, said Mr. Todorov.

"We're very excited that investors are willing to take the time and put in the effort to look at this asset class," Ms. Klugman said.

Increasing interest from a wider pool of investors has helped the ILS market grow.

"Increasingly driving it forward are the generalist money managers who look at this and put it into their broader fixed-income portfolios," said Ms. Klugman. "These generalist investors have the ability to source large amounts of capacity, so we see a steady source of capacity we don't believe is going away."

"Our view is that over the next five years as much as $100 billion could flow into the collateralized risk space," said Aon Benfield's Mr. Schultz.

Favorable pricing compared with standard insurance products also has aided ILS growth.

"The scope and pricing has been attractive," said Cory Anger, global head of ILS structuring at GC Securities, a unit of Guy Carpenter & Co. L.L.C. "A lot more cedents have been taking advantage of the marketplace."

However, one expert cautioned, favorable pricing may not last.

"Really, through 2013, catastrophe bond pricing dropped faster than both insurance and reinsurance," said Bill Dubinsky, New York-based managing director of insurance-linked securities at Willis Capital Markets, a unit of Willis Group Holdings P.L.C. "That may not be the case in 2014."

Aside from favorable pricing vs. standard insurance and reinsurance, ILS can offer substantial flexibility in terms and conditions since each issue is customized.

"Each deal is structured to suit individual needs," Ms. Anger said.

Most experts agree that large, institutional investors such as pension funds, endowments and foundations are providing the bulk of capital.

"These are the primary sources of growth," Mr. Dubinsky said.

"What we've seen is a steady stream of capital come into the market rather than the ebb and flow of previous years," said Ms. Klugman.

"A daily focus of what we do is, 'How do we make this transaction faster?' and we are continually making progress," Ms. Anger said.

While the market has yet to be tested by a billion-dollar loss, payouts that have occurred have yet to dampen investor enthusiasm.

For example in 2007, a $190 million catastrophe bond issued by special-purpose vehicle KAMP RE 2005 Ltd. on behalf of Swiss Reinsurance America Corp. was triggered in 2007.

"There certainly have been bonds that have been impacted, but investors are very resilient and their eyes are wide open," Ms. Klugman said.

SEDGWICK

Continued from page 1

partners.

"The change of ownership in and of itself will not cause any change" in Sedgwick's operations, Mr. North said in the interview. "The reality is we'll change because we were going to change anyway. We're going to continue to develop new products and services and improve (claims) processing the way we always have."

Sedgwick provides claims management for workers compensation, disability, managed care and other insurance claims. It handles more than 2 million claims a year.

Analysts agreed Sedgwick's clients likely will not notice much difference in the company's operations after the sale to KKR closes, which is expected during the first quarter.

HEAR INTERVIEW

Access *Business Insurance's* interactive digital edition to hear David North, CEO and president of Sedgwick Claims Management Services Inc., talk about what led to the company's pending sale to investment firm KKR & Co. L.L.P.

"I do not expect this transaction to have any effect on the customers of Sedgwick," Charles J. Sebaski, equity analyst with BMO Capital Markets in New York, said in a statement.

"KKR is a very experienced private equity firm in the insurance and insurance services arena, and I doubt they would upend the business materially," he said.

Though it is expected to maintain its current course of business, KKR might look to grow Sedgwick through additional acquisitions of smaller competitors, said Meyer Shields, managing director and analyst with Keefe, Bruyette & Woods Inc. in Baltimore.

"This is a business that benefits from having scale," Mr. Shields said. "We're seeing, for example, lots of success at (Gallagher Bassett Services Inc.) in the same business. So I think ... to the extent that KKR's got deep pockets to support continued acquisitions, that's the most likely change."

> "This is a business that benefits from having scale."
>
> Meyer Shields, Keefe, Bruyette & Woods Inc.

Sedgwick is the nation's largest TPA, according to the most recent data provided to *Business Insurance*. The firm reported $1.15 billion in gross revenue in 2012.

Itasca, Ill.-based Gallagher Bassett, a division of publicly traded brokerage Arthur J. Gallagher & Co., is Sedgwick's largest competitor, with $571.7 million in gross revenue in 2012.

During a conference call last week to discuss fourth-quarter results, Gallagher Bassett Chairman, President and CEO J. Patrick Gallagher Jr. said KKR's investment in Sedgwick shows that the TPA market is "a very valuable business."

"I think we all know that KKR is very, very smart money, and they've made a very big bet in a business that we believed in without hesitation for 30-plus years," Mr. Gallagher said in a transcript of the conference call. "And there have been times over that 30-plus years, actually 40-plus years, that we've been questioned as to whether or not we're going in the right direction, and I think it proves the point that this is a very, very dynamic business and a great business."

Sedgwick's Mr. North said the specific amount of KKR's ownership stake has not yet been determined, though he did say KKR will be a "substantial majority owner." Sedgwick's management will own a small stake after the buyout with KKR, a company spokeswoman said, declining to elaborate further on management's participation in the deal with KKR.

Calls last week to KKR, Stone Point and Hellman were not returned.

Mr. North said Sedgwick approached KKR about a deal in December as part of the company's typical life cycle for securing private equity investors. Indeed, this will be the third time Sedgwick has changed hands since 2006. In that year, Marsh & McLennan Cos. and Stone Point sold Sedgwick for $635 million to title insurer Fidelity National Financial Inc., Thomas H. Lee Partners L.P., Evercore Capital Partners and other minority shareholders.

"We've had ... models before where we have multiple private equity investors and where we've had single private equity investors, and candidly, we don't see much difference in how the company operates," Mr. North said.

Already, KKR holds a stake in Newport Beach, Calif.-based brokerage Alliant Insurance Services Inc. and San Diego-based insurance technology provider Mitchell International Inc., according to KKR's website. The investment firm previously had an ownership stake in brokerage Willis Group Holdings P.L.C.

Mr. North said that KKR's insurance-related holdings operate with separate boards and shareholder groups.

Alex J. Lopez, an analyst with Portales Partners L.L.C. in New York, said Sedgwick is known in the marketplace as a strong TPA, and that investors look favorably on the overall TPA market.

"Particularly for investors and for private equity investors, I think they see the TPA business as a nice, fairly simple cash-generating business," Mr. Lopez said.

AP PHOTO

Drivers got out to stretch their legs along Interstate 75 in Macon, Ga., last week as a rare winter storm packing snow and ice snarled traffic across much of the South.

DRIVERS

Continued from page 3

over a region and experience several different types of weather."

To prepare for the potential of being stranded, as many truckers were when the storm paralyzed roads in Atlanta last week, commercial drivers often pack survival kits that include winter clothing, blankets, a flashlight, drinking water and nonperishable food.

In addition, drivers typically keep their gas tanks at least half-full so they have enough fuel to run the vehicle occasionally to keep warm and to prevent temperature-sensitive cargo from freezing.

Though long-haul truckers generally are among the most experienced commercial drivers, transportation companies should provide periodic training to remind even veteran road warriors about necessary winter precautions, such as maintaining a safe following distance and reducing speed, said Daniel Brown, technical manager for The Travelers Cos. Inc's transportation risk control department in St. Paul, Minn.

To ensure its drivers are ready, Green Bay, Wis.-based Schneider National Inc. conducts a winter training module beginning in late September "as a reminder of how difficult winter weather can be on the individual, equipment, road conditions, the customer — all of those factors," said Tom DiSalvi, director of safety and loss prevention. The training, which concludes by Thanksgiving, addresses "both motor vehicle and slip-and-fall risks," he said.

"From a driving perspective, the top winter hazards are black ice and whiteout conditions. (For the driver personally), they would be access in and out (of the vehicle), such as slips, trips, falls," said Cory Gaye, corporate safety director at Wagman Cos. Inc., a York, Pa.-based heavy equipment hauler.

"There are a lot of slippery surfaces. The potential to slip and fall on the ice beneath the snow can result in some more serious injuries than most people realize," said Wayne Cederholm, director of training at Salt Lake City-based trucking firm C.R. England. Drivers are also "susceptible to strains and pulls from lifting and installing chains," he said.

Keith Bain, commercial auto fleet specialist at Chubb Corp. in Nashville, Tenn., recommends that commercial drivers wear slip-resistant footwear and strap-on cleats that provide traction on ice.

Commercial drivers often suffer injuries while loading and unloading freight, especially when working on flatbed trucks, said Rob Abbott, vice president of safety policy at the American Trucking Association in Arlington, Va.

"These drivers often have to climb onto the bed of a truck to secure freight with straps and cover freight with tarps to protect it against the elements. Falls from this height can be especially harmful. Snow and ice present risks during this process as well. Finally, entering and exiting a truck cab becomes riskier when steps and handholds become icy," he said.

Removing snow from the top of the trailer, a requirement in many Northeastern states, also puts drivers at risk, said Richard Bleser, Milwaukee-based senior vice president and fleet specialty practice leader at Marsh Risk Consulting, a division of Marsh Inc.

"The trailers are 13 feet 6 inches above ground level, not made for drivers to climb on top of," he said. "This is a huge hazard."

Because drivers are sedentary for long periods of time, they often suffer musculoskeletal injuries when working outside their vehicles, especially in cold weather, said Ariel Jenkins, senior risk control manager at Safety National Casualty Corp. in St. Louis.

"When I was a consultant at (United Parcel Service Inc.), they had a lot of instances where drivers would be sedentary for a few hours and then get out of their trucks and move these heavy dollies around. That's very strenuous. If you do that in cold weather in combination with being sedentary, you increase your risk of injury," he said. "Before they perform any strenuous task in winter weather conditions, drivers should stretch."

To safely navigate winter road conditions, commercial drivers are trained to increase their following distance and slow down, but this can cause delays, which can be costly to their employers and their customers, Mr. Cederholm said.

"Downtime of equipment or potential revenue loss is the biggest risk for us. Also customer frustration from delayed or extended transit time is something we have to mitigate and manage closely," he said.

To address weather-related delays, "many companies have embraced technology to work around weather conditions," said David Barry, national technical director in Willis North America Inc.'s risk control and claims advocacy practice in Overland Park, Kan.

"Large transportation firms have logistics departments with giant war rooms that can track traffic flow, weather conditions. Some even have live access to traffic cameras" set up by state transportation departments, he said. "This helps them more efficiently route their trucks."

COMMERCIAL DRIVERS ON THE ROAD

- There were 5.7 million commercial motor vehicle drivers in the United States in 2012*, 3 million of whom were interstate drivers with a commercial drivers license.[1]
- Fatal work-related injuries in the transportation and material moving occupations accounted for one-quarter of the 4,383 fatal work-related injuries overall.[2]
- While driver/sales worker and truck driver fatalities declined 4% to 741, the subgroup in the transportation and material moving industries had the highest number of fatal injuries.[2]
- Heavy and tractor-trailer truck drivers had the highest median number of days away from work —19 — among the six occupations that accounted for more than one-quarter of all work-related injuries.[2]
- The most common causes of injuries in heavy and tractor-trailer truck drivers was overexertion and bodily reaction at 36%, followed by falls, slips and trips at 29%.[2]

*Most recent data available
1 Federal Motor Carrier Safety Administration. 2 U.S. Bureau of Labor Statistics.

PLUS

Continued from page 3

who makes the decision on the buyers' side," said Mr. Bailey. If directors were asked whether it is OK to dilute their coverage, "I can't imagine directors saying that's what they want. The directors want to hear how they're protected, not how the company's protected," he said.

"There are products available for this coverage and they're not selling," however, said Brenda Shelly, New York-based managing director for Marsh Inc.'s FINPRO unit, who moderated the panel.

Matt Shulman, New York-based executive vice president at Arch Insurance Group Inc., said as a stand-alone product, cover for investigations requires an additional premium, much higher retentions and perhaps coinsurance.

> The "key to the whole issue is who makes the decision on the buyers' side."
>
> Dan Bailey,
> Bailey Cavalieri L.L.C.

Even clients who express interest in this coverage do not want it for investigations that occur in the normal course of doing business, but rather for investigations that lead to D&O claims, said Ms. Longmore.

Coverage for clawbacks was also discussed. The clawback provision in Sarbanes-Oxley related to enforcement actions against CEOs and chief financial officers for bonus compensation stemming from restatements made because of wrongdoing.

Even if a clawback could be covered under a D&O policy, the question is whether that would be "a direct frontal attack" on a congressional provision, said Mr. Bailey. "I think there's a very good argument it is."

The panel also discussed emerging issues. These included:

- The U.S. Supreme Court's eventual decision in *Halliburton Co. and David Lesar v. Erica P. John Fund Inc., FKA Archdiocese of Milwaukee Supporting Fund Inc.* The focus of the case is the Supreme Court's 1988 ruling in *Basic Inc. v. Max Levinson,* in which the court endorsed the "fraud-on-the-market presumption theory."

The theory says plaintiffs in class actions do not have to demonstrate that each individual class member relied on the company's alleged misrepresentation of information.

If, as appears likely, the Supreme Court decides to "tweak" this theory, "it's going to change dramatically a lot of the strategy" of securities class action litigation, said Mr. Bailey.

- Whistle-blowers. Pointing to last year's whistle-blower award of $14 million by the U.S. Securities and Exchange Commission, Mr. Shulman said, "This really has the makings of the biggest issue to affect our business."
- Cyber risks. "We've always known that big bad product liability claims had the potential of becoming D&O claims" on the basis that supervisors failed to protect the organization, said Ms. Longmore. Cyber claims "are another twist" on the same phenomenon, she said.

About 1,200 people attended this year's PLUS D&O Symposium. The next meeting will be held Feb. 4-5, 2015, in New York.

OLYMPICS

Continued from page 1

the upcoming Olympics, which will feature athletes from 80 countries competing in 98 winter sporting events.

Munich Re has about $300 million in event cancellation exposure to the Sochi games, said Andrew Duxbury, the company's underwriting manager for contingency and special risks in London, though he declined to identify the specific policyholders.

Swiss Re has about $200 million in exposure to the Sochi games, with policyholders including the IOC and local organizers, said Tom Phillipson, head of special risks for Swiss Re Corporate Solutions in London.

Much of the coverage for the cancellation/abandonment coverage for the Sochi games is underwritten in the London market, several well-placed sources who asked not to be named said.

Altogether, with the IOC, Olympic sponsors and merchandisers, there's close to $3 billion of insurance coverage in place for the Winter Games, the sources said.

Most of the major Lloyd's syndicates are involved in underwriting coverage for the Winter Olympics, as are many leading international insurers and reinsurers, said Duncan Fraser, a partner in the specialty risks division and leader of the sports and entertainment practice at Jardine Lloyd Thompson Group P.L.C. in London. The Russian state also has some involvement in retaining and underwriting certain risks, Mr. Fraser said.

"The London market, and Lloyd's in particular, looks at the majority of major events worldwide," said Chris Rackliffe, underwriter for political risks and contingency at Beazley P.L.C. in London.

He said underwriters participating in insuring the Sochi games — Russia's first Winter Olympics — typically will have signed nondisclosure agreements preventing them from releasing details of the insurance coverage.

While cancellation/abandonment coverage is always bought by organizing committees, sponsors, advertisers and merchandisers of large sporting events, a heightened risk of terrorism is one of the factors insurance buyers and insurers have been forced to consider ahead of these games, experts say.

The risk of a terrorist attack "is historically higher than it's ever been for an Olympic games," said William Rathburn of Mineola, Texas-based Rathburn & Associates, who was in charge of police department planning for the 1984 Olympics in Los Angeles and director of security for the 1996 Olympics in Atlanta.

"This is the only Olympics in history where there has been an announced, credible threat well before the games," Mr. Rathburn said.

Terrorism coverage can be included in cancellation coverage, and — if buyers have bought their policies sufficiently far in advance of the Olympic games — terrorism coverage likely will have been included at an affordable price in much of the insurance in place for the games, JLT's Mr. Fraser said. The IOC declined to comment on its cancellation coverage.

Terrorism coverage is available, and "right now there is a tremendous amount of capacity," said Jennifer Rubin, vice president of terrorism, war and political risks for Hiscox Ltd. in New York.

In the wake of several terrorist threats made to national Olympic federations and recent terrorist activity in Russia — notably two suicide bombings in the central Russian city of Volgograd in December that killed 34 — terrorism has become the main concern with the Sochi games, sources said.

AP PHOTO

Risk management concerns at the 2014 Winter Olympics include terrorism and the challenges inherent to snowy, mountainous terrain.

There was a 75% increase in the number of terrorist attacks in Russia in 2013, said Henry Wilkinson, head of the intelligence and analysis practice at London-based Risk Advisory Group P.L.C.

Mr. Wilkinson said while this raises questions about the vulnerability of the Sochi games, "the Russian authorities are taking the threat very seriously." More than 40,000 law enforcement officers will handle security during the Winter Olympics.

While there are fears about the risk of a terrorist attack on mass transportation near the Olympic event venues in particular, the risk is not restricted to Sochi. Russia as a whole will be vulnerable to terrorist threats during the games which will end on Feb. 23, he said.

Although the Sochi games already being the subject of a credible terrorist threat "raises the stakes in terms of the risk environment," a terrorist attack is not inevitable, said Mark Camillo, Washington-based senior vice president of Contemporary Services Corp. The former U.S. Secret Service special agent who was the Olympics coordinator for the 2002 Winter Olympics in Salt Lake City, said security planners must do all they can to make the Olympics an unattractive target. "The preventive side of security planning is critical," he said.

Raymond S. Mey, senior program manager at New York-based The Soufan Group and a former FBI agent who was manager for counterterrorism planning and operations in support of the 2002 Winter Olympics, said the Russian government can call on its military for reinforcement during the games.

Russian security planners also will have an undercover capability, and they will be on the lookout for members of separatist groups, Mr. Mey said. "Obviously, the big challenge there is the lone suicide bomber," he said.

Fred Burton, vice president of intelligence at Austin, Texas-based Stratfor Global Intelligence and a former U.S. state department specialist who has worked at previous Olympics, said there will be elaborate layers of security close to the Olympics venues, but transportation and hotels farther away from the site may be at greater risk.

WINTER OLYMPICS AT A GLANCE

- About 5,000 different licensed souvenirs carrying the Sochi 2014 logo will be sold during the games; total sales of licensed products are expected to top $500 million.
- More than 40,000 law enforcement officers will handle security during the games. All police are required to be able to converse with spectators in English, French and German.
- The Sochi Olympic torch relay is the longest in Olympic history at more than 40,000 miles. The route passes through every region of Russia, and it was passed between two Russian cosmonauts in a unit of the International Space Station.

Managing risk in snowy environment presents unique challenge

Hosting and insuring the Winter Olympics bring a host of distinct risk management challenges.

Problems caused by weather and the logistics of putting on events and protecting spectators in mountainous or potentially slippery and dangerous areas are uppermost among the risks the Winter Games can pose, experts say.

"Winter Olympics have their own complexity because of the weather," said Rob Barron, assistant vice president at Lockton Cos. L.L.P. in London.

While perils such as a natural catastrophe and earthquake typically would be covered under cancellation insurance policies, for winter games there are additional risks to be considered such as too much or too little snowfall, Mr. Barron said.

Games organizers typically take steps to address such potential problems by, for example, ensuring they have access to artificial snow. Still, there is the risk that prolonged unsuitable weather could lead to the cancellation of an event, he said.

The risk of avalanche is another concern for Winter Games, said Richard Tolley, Birmingham, England-based leader of Marsh Inc.'s sports and events practice for the Europe, Middle East and Asia.

High winds also could cause problems for events such as ski jumping, Mr. Tolley noted.

Insurance coverage for unfavorable weather conditions can be included in cancellation policies, said Andrew Duxbury, underwriting manager of contingency and special risks at Munich Reinsurance Co. in London.

During Winter Olympics, adjustments to competition schedules often are expected because of adverse weather, Mr. Tolley said.

Television networks covering the games would plan for such adjustments, he said, but multiple changes to competition timings can cause problems for television coverage, he said.

When insurance underwriters are looking at covering snow-based events, they would assess the ability of a venue to put on such events — for example, whether they have previously hosted World Cup or other international events, said Chris Rackliffe, political risks and contingency underwriter at Beazley P.L.C. in London.

Sochi, Russia, he said, has not previously hosted international snow-based events.

The frequency of spectator injuries typically is higher at a Winter Games than other events because of the risk of slipping on snow and ice, Marsh's Mr. Tolley said. So organizers and insurers would take this into account, he said.

Other safety challenges posed by the nature of Winter Games is the need to erect grandstands on the sides of mountains and get power to mountaintops in sometimes difficult weather conditions, he said.

By Sarah Veysey and Judy Greenwald

IN BRIEF

Aon reports $3.21 billion in fourth-quarter revenue

■ Aon P.L.C.'s revenue for the fourth quarter of 2013 grew to $3.21 billion, a 2.8% increase from the same period in 2012, the broker said Friday. Aon posted net income of $355 million for the period, an increase of 16.4% from the same period a year earlier. Total fourth-quarter revenue for Aon Risk Solutions, the company's brokerage and risk management operations, remained flat at $2.05 billion, while revenue from its HR Solutions operations grew 8.3% to $1.17 billion. For 2013 as a whole, Aon's total revenue increased 2.7% from 2012 to $11.82 billion. Revenue for the Risk Solutions operations grew 2.1% to $7.79 billion, while the HR Solutions operations grew 3.3% to $4.08 billion in 2013. Net income rose 11.8% last year to $1.11 billion.

COBRA champion Henry Waxman to retire from House at year end

■ Rep. Henry Waxman, D-Calif., the co-author of the original COBRA health care legislation, will not seek re-election and will retire at the end of the year. "In 1974, I announced my first campaign for Congress. Today, I am announcing that I have run my last campaign. I will not seek re-election to Congress and will leave after 40 years in office at the end of this year," he said in a statement. In the employee benefits realm, Rep. Waxman, 74, was best known as the lawmaker who in the mid-1980s — along with former Rep. Pete Stark, D-Calif. — introduced legislation to require employers to extend group health care coverage to employees after they terminated employment and to their dependents in death, divorce and marital separation situations.

Public insurance exchanges could appeal to employers

■ Insurers offering coverage in public health insurance exchanges charge premiums that are generally comparable with those of employers, which could make the exchanges another option for employers, according to an analysis by PricewaterhouseCoopers L.L.P.'s Health Research Institute. The median premium for a public exchange plan offering single coverage is $5,844 this year, compared with an average premium of $6,119 for comparable employer-provided coverage, a 4% difference, according to the analysis. That relatively small cost difference "may make public exchanges an attractive alternative for employers in the future," PwC said in the analysis.

Captive excellence award goes to Caterpillar Inc.

■ Caterpillar Inc. was recognized with the World Captive Forum's 2014 Award of Excellence in Aventura, Fla. Steven Resnick, chief operating officer and chief financial officer for Caterpillar Financial Insurance Services, and Don Meyers, senior corporate insurance attorney for Caterpillar Inc. and vice president, general counsel and secretary of Caterpillar Financial Insurance Services, accepted the honor on behalf of Peoria, Ill.-based Caterpillar. In addition to using its captive program to provide property and general liability coverage, Caterpillar has tapped it to provide a successful extended warranty program for Caterpillar dealers and to finance retiree medical benefits. The annual award recognizes the parent of a single-owner captive and its representatives for thought leadership in the global use of a captive insurer; contributions to the enterprise's strategy and objectives and those of businesses in the field; and contributions to the risk and insurance profession, especially concerning the use of captive insurance programs.

Ohio workers comp drug formulary nets $20 million savings

■ Ohio's workers compensation prescription drug formulary has resulted in savings of $20 million for employers during the past three years, the Ohio Bureau of Workers' Compensation said. Launched in 2011, the formulary also is credited with a 27.8% decline in opioid prescriptions and a 72.9% decline in skeletal muscle relaxant prescriptions in 2013 compared with 2010, the bureau said in a statement. Medications under the formulary are subject to guidelines and regulations that are updated regularly, the bureau said. "By prescribing only the right medicine, at the right time, for the right duration, we are improving care, getting the worker healed and back on the job sooner, and ensuring that medicine cabinets aren't stocked with potentially dangerous drugs that could lead to overdose or addiction," Steve Buehrer, the Ohio bureau's administrator and CEO, said in a statement.

Securities class actions below historical average: Analysis

■ The number of federal securities class action lawsuits increased in 2013, but still remained lower than historical averages for such cases, according to an analysis by Cornerstone Research Inc. and the Stanford Law School Securities Class Action Clearinghouse. Plaintiffs filed 166 federal securities class action suits last year, up 9% from 2012, Boston-based Cornerstone and Stanford, Calif.-based Stanford found. Still, that number was 13% below the historical annual average of 191 filings for the 1997-2012 period. The limited filings could be attributed to a declining number of public companies, according to the analysis.

Ace reports sharp increase in fourth-quarter profit

■ Ace Ltd. posted fourth-quarter net income of $998 million, up 30.5% from the same period last year, the Zurich-based insurer said. Net written premiums rose 15.3% from the same period last year to $4.22 billion. The combined ratio improved to 89.3% from 105.5% during the fourth quarter of 2012. For 2013, annual net income increased 38.9% from the previous year to $3.76 billion. Net written premiums rose 5.9% from a year earlier to $17.03 billion. The combined ratio for 2013 was 88.0%, compared with 93.9% in 2012. "Both our quarterly and annual results were driven by very strong premium revenue growth globally and an exceptional underwriting performance," Chairman and CEO Evan Greenberg said in a statement.

JLT places $100 million cat bond for quake, tornado losses

■ Jardine Lloyd Thompson Capital Markets Inc., part of JLT Towers Re, has arranged a $100 million catastrophe bond to provide three-year indemnity-based collateralized catastrophe reinsurance coverage for the Cincinnati Insurance Co. The transaction to place the bond, called Skyline Re 2014-1, transfers risks associated with earthquakes on a per-occurrence basis, as well as severe convective storm losses on an aggregate basis. "At $100 million, the Skyline 2014-1 bond grew substantially from the $61.2 million 2013 bond," Rick Miller, managing director and co-head of insurance-linked securities at London-based Jardine Lloyd Thompson Capital Markets, said in a statement.

EEOC focuses on systemic discrimination: Analysis

■ The U.S. Equal Employment Opportunity Commission continues to file substantially fewer individual lawsuits as it focuses on cases that involve systemic discrimination, law firm Littler Mendelson P.C. said in an analysis. The agency brought 131 lawsuits in fiscal year 2013 and 122 in fiscal year 2012, compared with 250 to 336 lawsuits the federal agency filed in the previous five years, according to Littler Mendelson's "Annual Report on EEOC Developments — Fiscal Year 2013." The San Francisco-based law firm said a strategic enforcement plan approved by the agency in fiscal 2012 "affirms the EEOC's focus on pursuing systemic cases."

FBI warns retailers to expect more credit card breaches

■ The FBI has warned U.S. retailers to prepare for more cyber attacks after discovering about 20 hacking cases in the past year that involved the same kind of malicious software used against Target Corp. in the holiday shopping season. It distributed a confidential, three-page report to retail companies dated Jan. 17 describing the risks posed by "memory-parsing" malware that infects point-of-sale systems, which include cash registers and credit-card swiping machines found in store checkout aisles. "We believe POS malware crime will continue to grow over the near term, despite law enforcement and security firms' actions to mitigate it," said the FBI report, entitled "Recent Cyber Intrusion Events Directed Toward Retail Firms" and seen by Reuters. "The accessibility of the malware on underground forums, the affordability of the software and the huge potential profits to be made from retail POS systems in the United States make this type of financially motivated cyber crime attractive to a wide range of actors," the FBI said.

Reuters

Chubb's quarterly profit soars thanks to strong underwriting

■ Chubb Corp.'s fourth-quarter 2013 net income soared to $569 million, compared with $102 million in the same period a year earlier when it was hit by Superstorm Sandy losses, the Warren, N.J.-based insurer said. Net premiums increased 4.5% over the prior-year period to $3.04 billion in the fourth quarter of 2013. The insurer's fourth-quarter combined ratio was 85.5%, an improvement from 111.2% in the final quarter of 2012, when Sandy-related losses hurt the bottom line. For all of 2013, Chubb said its net income increased to $2.3 billion from $1.5 billion the previous year. Net written premiums increased 3.0% to $12.22 billion in 2013. The combined ratio was 86.1% last year, compared with 95.3% in 2012.

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OFF BEAT ;-)

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Bars raise the roof over name-calling

The owners of rooftop bars and viewing paddocks overlooking Wrigley Field, home of the Chicago Cubs, claim in a lawsuit filed last month that a sports consultant working for the team defamed them by calling them "carpetbaggers" in a January 2013 Chicago Sun-Times article, Courthouse News reports.

In the article, Marc Ganis, a stadium financing consultant hired by the Cubs to negotiate with Chicago officials for a proposed $300 million renovation of the ballpark, lamented the city's resistance to plans for a 650-square-foot sign that would block views into the park from the roofs of the privately owned apartment buildings that have been converted into bars. He was quoted in the Sun-Times as accusing city officials of "protecting carpetbaggers stealing the product paid for by others."

The rooftop owners have asked a Cook County, Ill., Circuit judge for a declaratory judgment against Mr. Ganis for defamation, false light and invasion of privacy, according to Courthouse News.

Ritter Sport maker savors sweet victory

Candy is dandy, but winning a lawsuit is even better for the company that makes German chocolate brand Ritter Sport, which has won a court victory against a consumer group.

The dispute involving Waldenbuch, Germany-based candy manufacturer Alfred Ritter GmbH & Co. K.G. reportedly centered on whether its hazelnut chocolate bars contain artificial or natural vanilla flavoring.

Berlin-Tiergarten, Germany-based consumer group Stiftung Warentest alleged that the vanilla used in the Ritter Sport hazelnut chocolate bars was artificially enhanced, prompting Ritter Sport's maker to go to court.

But a Munich court ruled last month that the flavor was natural under European Union regulations and upheld an earlier interim injunction preventing the consumer group from printing its assertions in a 10-page report on the potential risks from chocolates containing nuts.

The consumer group reportedly said it will appeal the ruling.

For now, though, the company is victorious — and, as Jackie Gleason used to say, "How sweet it is!"

INSURANCE COVER MAKES IT ONTO WEDDING CHECKLISTS

YERMOLOV/SHUTTERSTOCK.COM

Worried about something spoiling the wedding? There's insurance for that. With the cost of the average U.S. wedding topping $25,000, more and more couples are saying, "I do," to purchasing specialized event cancellation coverage to protect against every possible mishap — ranging from not getting to the church on time to extreme weather conditions.

One anxious mother of the bride, Cheryl Winter, paid $500 to Hartford, Conn.-based Travelers Cos. Inc. to cover her daughter's $50,000 wedding last October in New Orleans, where her biggest concern was a potential hurricane. The weather cooperated, but the limousine reportedly never showed up, so her daughter ended up taking a taxi to the church. Ms. Winter tapped the insurance to recoup the deposit she had paid for the limo.

The first wedding insurance policy was issued in 1993 by Novato, Calif.-based Fireman's Fund Insurance Co., when the average wedding cost $16,000. Travelers introduced its Wedding Protector Plan in 2007. Several other insurers also offer the coverage.

Travelers says issues with providers account for about one-quarter of the claims filed under its wedding policy. In 2012, the most recent year for which data is available, 58% of Travelers' claims involved problems with the photographer or videographer, and 21% of claims involved a caterer. Other claims involved the disc jockey or wedding planner, Travelers says.

Business Insurance isn't all business all the time, and we know you're not either. So visit **www.businessinsurance.com** for more Off Beat stories and monthly photo galleries featuring the best of the weirdest news about insurance, fraud, liability issues and related topics that make people and companies do funny, silly and strange things.

Kanye suit puts Coinye out of circulation

The anonymous creators of a would-be digital currency called Coinye West have reportedly abandoned their venture after rapper Kanye West sued them last month for trademark infringement, violation of privacy, unjust enrichment and other claims.

Coinye was an Internet-based currency, similar to Bitcoin, that featured a caricature of Mr. West's face, according to a complaint filed Jan. 14 by Mr. West in U.S. District Court in New York.

"With each day that passes, Mr. West's reputation is irreparably harmed by the continued use of the Coinye West (and) Coinye ... marks in connection with defendants' goods and services," the complaint reads. "Defendants have admittedly and willfully infringed upon the Kanye West mark, and consumers are likely to mistakenly believe that Mr. West is the source of these digital coins."

The Verge website said the makers of Coinye currency dropped the project after Mr. West's lawsuit was filed.

The report quotes the Coinye website as saying, "Coinye is dead. You win, Kanye," late last month.

Insurer wants out of polygamy suit

Two Southwest towns that allegedly allow polygamy can no longer count on their insurance company to help pay for the defense of a lawsuit filed against them by the U.S. Department of Justice.

In 2012, the Justice Department filed suit against the neighboring cities of Colorado City, Ariz., and Hildale, Utah, alleging "a pattern or practice of police misconduct and violations of federal civil rights laws." The suit contends that officials in the cities, which are populated primarily by members of the Fundamentalist Church of Jesus Christ of Latter-Day Saints, routinely discriminate against non-FLDS residents by selectively enforcing laws and denying or delaying access to water and electric service.

Colorado City sought coverage for its legal expenses under its St. Paul Guardian Insurance Co. policy. But St. Paul filed a lawsuit in U.S. District Court in Phoenix against the cities, seeking to avoid covering those costs. The insurer's lawsuit contends St. Paul is not obligated because of exclusions for "criminal, malicious, dishonest, or fraudulent acts or omissions, or knowing violations" of rights or laws.