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GROUP OF LAWMAKERS WILL EXPLORE CHANGES TO TORT SYSTEM / PAGE 4

INSURERS WATCHING POLITICAL CHANGES IN EGYPT / PAGE 4

In Brief

Marsh taps Bidmead for new U.S. CEO post

Marsh Inc. has appointed David Bidmead to the newly created position of CEO of Marsh U.S., effective April 1. Mr. Bidmead currently leads Marsh's U.S. west zone and previously was CEO of Marsh Australia. Marsh said Mr. Bidmead will guide Marsh's U.S. retail brokerage operations and reports to Joe McSweeney, president of Marsh U.S./Canada.

Insurer dismissal bids denied in drywall case

The federal judge presiding over the ongoing multidistrict litigation over allegedly defective Chinese drywall has denied eight insurers' motions for dismissal. Judge Eldon E. Fallon of the U.S. District Court for the Eastern District of Louisiana denied motions to

See **IN BRIEF** page 2

SPOTLIGHT



SPECIALTY RISKS

Data thieves seeking corporate info; event cancellation coverage rates stable; space risks in period of slow change; soft market for space cover expected in 2011; satellite insurers see modest losses in recent years, helping hold down coverage prices. **PAGE 9**

WORKERS COMPENSATION

States weighing comp reform bills

By **ROBERTO CENICEROS**

Lawmakers in four states advanced proposals last week to reform their respective workers compensation systems, but it remains to be seen whether more states will attempt to revise their laws, observers say.

During the midterm elections, Republicans gained seats in Congress and in state legislatures. That has helped workers comp reform legislation gain momentum in Illinois, Montana, Oklahoma and Kansas.

In Illinois before the elections late last year, employers sought the right to designate doctors for injured employees. They also wanted to reduce the state's medical fee schedule, deny benefits when an injured employee tests positive for drugs and alcohol, and require the Illinois Workers' Compensation Commission to adopt utilization review findings, except in unique cases.

Illinois employers must provide benefits if an employee, for example, is injured during a weekend softball game, then aggravates that injury while at work, said

Mark Denzler, vp of government affairs and chief operating officer of the Illinois Manufacturers' Assn. in Springfield.

While state lawmakers never took a vote on the proposal last year, Illinois employers may gain even more reforms this session, said Mr. Denzler, who noted that workers comp reform is a top priority for Republican lawmakers.

While Republicans still comprise a minority in Illinois' House and Senate, Democrats lost several seats in both chambers during the election. That means Democrats need Republican votes to pass their priority bills, and "horse trading" over votes likely will result in the adoption of workers comp reforms, Mr. Denzler said.

The proposal being discussed this year would incorporate last year's plan plus mandate the use of American Medical Assn. treatment standards. Illinois employers also want to make injuries compensable only if a workplace accident is the "primary cause" of

See **COMP** page 21

Workers comp reforms are advancing in:

- Illinois
- Montana
- Oklahoma
- Kansas

PROPERTY/CASUALTY INSURERS



American International Group Inc. said last week that it would add \$4.6 billion to Chartis' reserves for certain lines.

Bumpy road continues for Chartis' reserves

By **JUDY GREENWALD**

NEW YORK—American International Group Inc.'s \$4.6 billion reserve boost to its Chartis Inc. property/casualty subsidiaries makes AIG an outlier among its peer insurers, many of which have been releasing reserve redundancies for the past two years.

Still, observers note that last week's reserve hike, which follows a \$2.3 billion boost in 2009, is for pre-2006 long-tail business that AIG is deemphasizing.

AIG said the latest reserve increase is net of \$446 million in discount and loss-sensitive busi-

ness premium adjustments and will result in a \$4.1 billion reserve charge when it posts its fourth-quarter results next week.

AIG said 80% of the reserve strengthening is for four classes of business: asbestos, \$1.3 billion before the discount; excess casualty, \$1 billion; excess workers compensation, \$825 million before the discount; and primary (specialty) workers compensation, \$420 million before the discount.

In a statement, AIG said it also has strengthened reserves in its construction/commercial risk and national accounts

See **CHARTIS** page 20

HEALTH CARE REFORM

Taxes complicate rule on adult children coverage

By **JERRY GEISEL**

WASHINGTON—A seemingly straightforward provision in the health care reform law that

requires employers to extend coverage to employees' adult children is presenting some complex compliance challenges, experts say.

The problem centers on state



Under a health care reform law provision, employers are required to extend coverage to employees' adult children up to age 26.

employees' pay.

Under the politically popular provision, employers are required to extend coverage to employees' adult children up to age 26—regardless of whether the child is financially independent or no longer attends college, for example.

That mandate, which went into effect Jan. 1 for calendar-year plans, required virtually every employer to expand coverage. Prior to the new requirement, employers typically extended coverage until the child turned age 19, or 22 or 23 if a full-time student at

taxes that employees may owe on the coverage, which employers must calculate and withhold from

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News In Brief

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dismiss certain cases within the multidistrict litigation for failure to join indispensable parties to the lawsuits, specifically, subcontractors. The insurers argued that subcontractors who procured the insurance policies for the plaintiffs should be a party to the pending lawsuits within the MDL, according to court documents. The insurers involved are American Guarantee & Liability Insurance Co.; Amerisure Mutual Insurance Co.; Chartis Specialty Insurance Co.; FCCI Commercial Insurance Co.; Landmark American Insurance Co.; Mid-Continent Casualty Co.; National Union Fire Insurance Co. of Pittsburgh, Pa.; and NGM Insurance Co.

Ryan Specialty buys Wells Fargo wholesaler

R-T Specialty L.L.C., a unit of Ryan Specialty L.L.C., has expanded its specialty wholesale operation by acquiring American E&S Insurance Brokers from Wells Fargo Insurance Services Inc. In addition, Ryan Specialty last week said it had acquired Concord Specialty Risk Inc., a managing general underwriter and consultant that specializes in risks from mergers and acquisitions and regulatory issues. Terms of the deals were not released.

Insurers oppose bills on construction defects

Recently introduced legislation in South Carolina would extend coverage for construction defects under commercial general liability policies, a move opposed by insurer groups. The legislation runs counter to a recent South Carolina Supreme Court decision that faulty workmanship by a contractor or subcontractor cannot be considered an occurrence under a comprehensive general liability policy. If the legislation is passed, it could cause an increase in insurance rates for South Carolina consumers, according to the Property Casualty Insurers Assn. of America.

Willis Re names new chairman, CEO

Peter Hearn has been named chairman of Willis Group Holdings Ltd.'s Willis Re unit. He will be succeeded as CEO by Steve Hearn, who previously served as CEO of Willis' London-based Faber & Dumas wholesale unit, Global Markets International and Willis Facultative. Dominic Samengo-Turner succeeds Steve Hearn as CEO of Willis' London market wholesale business. Mr. Samengo-Turner, who was CEO of Willis Global Placement, is succeeded in that position by Alastair Swift. The changes, which take effect immediately, are the next phase in the development of Willis Global, a business unit launched last year.

Health reform law boosts communications: Survey

Explaining benefit plan design changes to employees was employers' greatest challenge during the most recent open enrollment period, and most found implementing the first phase of the Patient Protection and Affordable Care Act to be relatively easy, according to a survey by Towers Watson & Co. Fifty-two percent of

employers responding to the survey said implementing initial administrative changes was "somewhat easy" for their organization. The survey also found that employers boosted their use of technology to facilitate employee understanding, but they did not abandon traditional benefit communications.

U.S. snowstorm losses could reach \$1.4B

Insured losses from the February winter storm that affected much of the United States could reach \$1.4 billion, according to catastrophe modeler AIR Worldwide Corp. AIR said the storm affected 30 states; dropped more than 18 inches of snow in several places; and packed high winds, subzero wind chills, freezing rain and ice. AIR estimated that insured damage would range from \$790 million to \$1.4 billion.

Insurer Chaucer fielding private equity offer

Private equity company Terra Firma Capital Partners III L.L.P. said it is considering making an offer for Lloyd's of London insurer Chaucer Holdings P.L.C. Chaucer said it had "received a number of approaches regarding a possible offer for the company." Chaucer said there was no certainty that any of the offers would result in a bid being made for the company.

Short-term disability claims flat during recession: Study

The "tumultuous economic environment of the past three years" has not affected the number of nonoccupational short-term disability claims by employees, according to the Integrated Benefits Institute. The IBI evaluated new claims filed by workers at the same 2,100 employers of various sizes and industries during 2007, 2008 and 2009. It found that, overall, claims filings remained flat during the three-year period.

Bill would repeal FSA cap provision in reform law

Legislation introduced in the U.S. Senate would repeal provisions in the health care reform law that cap how much money employees are allowed to contribute to flexible spending accounts and sharply restrict the use of FSAs and health savings accounts to pay for over-the-counter medications. The measure would remove the provision, which caps FSA contributions at \$2,500 effective in 2013. The bill also would remove a reform law provision that bars employees from using their FSAs and HSAs to pay for OTC medications, except for insulin, without a doctor's prescription. That provision took effect Jan. 1.

Commercial P/C rates fall 5%: MarketScout

Commercial property/casualty rates dropped an average of 5% in January compared with a year earlier, according to electronic insurance exchange MarketScout. In general, the larger the account, the greater the decrease, it said.

Insurance commissioner appointed in Connecticut

Thomas B. Leonardi has been named by Connecticut Gov. Dannel P. Malloy to serve as the state's new commissioner of the Department of Insurance. Previously, Mr. Leonardi was chairman and CEO of Northington Partners Inc., an insurance specialty venture capital and investment banking firm. He succeeds Thomas Sullivan, who resigned in November.

Business Insurance

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SUMMIT TARGETS RISK INNOVATION

The Risk Management Summit begins March 15. Eligible risk managers can visit www.BusinessInsurance.com/RMSummit or contact Event Manager Rebecca Briggs at rbriggs@BusinessInsurance.com for more details or to register for the event.

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BusinessInsurance.com users now have an expanded array of online community tools. Register and log in to customize your personal profile, create blogs, invite friends and join discussions.

MOST POPULAR STORIES Week of February 7, 2011

1. Settlement reached in firing over Facebook post
2. Insurer motions for dismissal in Chinese drywall litigation denied
3. Medical loss ratio provision could shrink marketplace
4. Ryan Specialty buys wholesale broker from Wells Fargo
5. Republican governors take on U.S. insurance exchanges
6. Insurance broker Lockton adds risk management veteran
7. AIG boosts Chartis reserves by \$4.6 billion
8. S.C. construction defect bills draw insurer opposition
9. U.S. P/C combined ratio expected to hover at 102%
10. Revamp for CLASS Act program: Sebelius

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EMPLOYMENT PRACTICES

Firm to alter Facebook rule

In settling lawsuit, company agrees to less restrictive policy

By **JEFF CASALE**

HARTFORD, Conn.—Terms of the settlement of the case of an employee who was fired for posting negative comments about her supervisor on Facebook sends a warning to employers that their social media policies should not be overly broad, legal experts say.

On the eve of a scheduled hearing by the Labor Relations Board's Hartford, Conn., regional office against American Medical Response of Connecticut Inc., AMR settled the complaint last week by agreeing to revise its blogging and Internet policy to ensure

that it does not improperly restrict employees from discussing their wages, hours and working conditions with co-workers and others outside of work.

The complaint filed in October was the first time that the NLRB addressed social media and its impact on the workplace.

Though an agreement was worked out between Dawnmarie Souza, a union worker for AMR's New Haven, Conn., office, who was fired in December 2009 after disagreements between her and her supervisor culminated in Ms. Souza posting negative remarks about the supervisor on Ms. Souza's personal Facebook page, the NLRB's complaint shows it is taking a new approach to how employers enforce social media policies, labor and employment attorneys say.

"Though there was no decision in this case, I think employers need to recognize that the NLRB-issued complaint shows a change," said Seth Borden, New York-based partner in McKenna Long & Aldridge L.L.P.'s labor practice. "Three or four years ago, it was very likely the board would not have filed this complaint, and it shows a marked change in direction in how it views social media," he said.

In the settlement, AMR said it would neither discipline nor discharge employees for engaging in discussions pertaining to wages, hours and working conditions in online forums. The medical transportation company also agreed that future employee requests for union representation will not be denied and that employees will not be threatened with discipline



The NLRB's regional office had alleged that the company illegally denied union representation to Ms. Souza during an investigatory interview, and maintained and enforced an "overly broad" blogging and Internet posting policy that resulted in her firing.

Under the National Labor Relations Act, employees may discuss terms and conditions of their employment with co-workers and others, regardless of the forum.

After the interview, Ms. Souza posted a negative remark about her supervisor on Ms. Souza's personal Facebook page from her home computer. The post drew supportive responses from co-workers and led to more negative comments by Ms. Souza about her supervisor, including calling her "a number 17," AMR's term for a psychiatric patient, according to the complaint.

The NLRB regional office found that Ms. Souza's Facebook postings were a "protected con-

for requesting union representation, according to the settlement.

Allegations involving Ms. Souza's termination were resolved through a separate, private agreement between the employee and the company, the NLRB said in a statement.

A request for comment from Glenwood, Colo.-based AMR was not returned.

See **FACEBOOK** page 19

LIABILITY & LITIGATION

Liability insurers regain appetite for nutraceutical risks

Sharing of info has improved since ephedra rattled market

By **MIKE TSIKOUKAKIS**

The nutraceutical industry has responded to underwriters' concerns about product liability coverage for the manufacturers of nutritional and dietary supplements, which experts say has led to steady capacity and stable pricing.

Nutritional and dietary supplements often are described as nutraceuticals—a catch-all term for foods or drinks that claim health, wellness and medical benefits, such as herbal products, vitamins and other dietary supplements.

Nutraceuticals are a growing U.S. industry, posting a 6% growth rate in 2009 with sales of \$26.9 billion, according to the Nutrition Business Journal.

The industry is expected to post a 7% growth rate in 2010 as baby boomers near retirement, experts say. "Baby boomers are getting older and they want to be young and beautiful," said Nan Meyer, managing director of casualty and product liability for Markel Corp. in Deerfield, Ill.

"The growth is exponential as long as you put it into a larger category: foods with health claims," said Curt Fletcher, regional vp of the Seattle branch of Admiral Insurance Co.

Despite the industry's growth, lack of regulation of nutraceutical products by the Food and Drug Administration is a main concern for product liability insurers, which also worry about unknown adverse health effects of product misuse or mixing supplements with prescription medications, experts say.

Most nutraceutical firms are relatively small manufacturers and typically transfer their risks to insurance, experts say.

The Dietary Supplement Health and Education Act of 1994 is the FDA's regulatory framework for nutraceuticals. Prior to that, supplements were subject to the same regulatory requirements as other foods under the FDA.

While the agency maintains a list of banned or



Steady capacity and stable pricing for coverage of nutraceutical makers resulted from manufacturers sharing more information with underwriters.

flagged substances that are potentially dangerous, dietary supplements do not need FDA approval before they are marketed, nor do manufacturers need to provide evidence that their products are safe.

Along with scant federal regulation, experts say supplements containing herbal ephedra or alkaloid ephedrine helped drastically constrict the product liability insurance market for nutraceuticals in the early 2000s. Deaths linked to the stimulant sparked lengthy court battles against manufacturers and distributors and insurers took on large losses, observers said. The FDA banned supplements containing ephedra in 2004.

The ephedra scare had a "huge chilling effect on our industry," said Peter Daly, senior vp at Wells Fargo Insurance Services Inc. in San Carlos, Calif.

"Ephedra brought the industry to the limelight for the underwriter," said Pati Bouman, client manager for Marsh Inc. in Salt Lake City.

Insurers look closely at ingredients and business practices of nutraceutical manufacturers and distributors, constantly updating their exclusion lists, which can even include refusing to provide coverage if a nutraceutical manufacturer engages in spam e-mail marketing practices.

Ms. Meyer at Markel, which has been underwriting nutraceutical risks since 2002, underwrites each product individually, examining ingredients, advertising, distribution channels, warning labels and product test results.

Product liability pricing varies, she said, but typically, weight-loss products are more expensive to cover, as is any product that is ingested.

REGULATION

Competition to suffer under Solvency II: CEA

Insurer group seeks changes to Europe's risk-based regime

By **SARAH VEYSEY**

BRUSSELS—Solvency II in its current form could harm some insurers' competitiveness and may cause mergers and acquisitions to increase, experts say.

The Comité Européen des Assurances, which represents insurers and reinsurers in Europe, said it believes changes to Solvency II are needed—for example, the way catastrophe risk is treated under the rules—to avoid harming the "viability and competitiveness of European insurers and reinsurers."

Other sources said they expect some insurers would seek to be acquired or try to sell or acquire portfolios to ease the capital requirements that the rules, slated to come into force in 2012, would impose on them.

The Brussels-based CEA said, based on initial feedback from the fifth quantitative impact study into the effects of Solvency II, it believes more work is needed to ensure that capital charges for nonlife risks, especially catastrophe risks, are not too burdensome (see story, page 21).

The CEA also said it is con-

cerned that the proposed rules are too complex and that compliance would be expensive for small and medium-size insurers and reinsurers.

It added that the treatment of groups under the standard approach in the Solvency II model does not give enough credit for diversification, among other issues.

The Frankfurt, Germany-based European Insurance and Occupational Pensions Authority will publish feedback from QIS 5 next month.

The complexity of the QIS 5 exercise and the tight time constraints on participants, among other factors, mean that "great care must be taken when interpreting the detailed results once they are available," said Tommy Persson, president of the CEA.

But he added that the results of QIS 5 will give valuable insight into how the Solvency II rules will work and any changes that might be needed prior to the risk-based capital regulatory regime's implementation.

QIS 5 gives insurers the clearest picture yet of how Solvency II will affect their businesses, said Jonathan Howe, insurance partner at PricewaterhouseCoopers L.L.P. in London.

"It is really only now that com-

See **SOLVENCY** page 21

See **SUPPLEMENTS** page 20

CATASTROPHES



EPA/LANDOV

A Tully Heads, Australia, resident surveys his home destroyed by Cyclone Yasi, boosting losses in already flood-damaged Queensland.

Australia's Cyclone Yasi adds to nat cat losses

By SARAH VEYSEY

MISSION BEACH, Australia—Loss estimates continue to mount from a series of severe weather events in Australia.

While no detailed loss estimates from Cyclone Yasi, which made landfall at Mission Beach in early February, have been published, modeling agencies EQECAT Inc. said insured losses from the cyclone could reach \$540 million Australian (\$547.7 million) while AIR Worldwide Corp.

said insured losses from the event could reach \$1.5 billion Australian (\$1.52 billion).

Australia's largest insurer, Sydney-based QBE Insurance Group Ltd., said its "very preliminary estimate" of losses from the cyclone was \$100 million.

Sydney-based Insurance Australia Group Ltd. said under its reinsurance program, its losses from Yasi would be capped at

\$125 million Australian (\$126.8 million), but also said it was too early to tell if cyclone claims would reach this level.

Brisbane-based Suncorp Group Ltd. said it expected its net cyclone claims to be capped at \$10 million Australian (\$10.1 million).

Insurers and reinsurers already were counting the cost of severe flooding in the states of Queensland and Victoria in December and January when Yasi hit earlier this month.

Munich Reinsurance Co. said its losses from flooding in northeastern Australia in the last quarter of 2010 would be about \$270 million and it expected its losses from flooding in the first quarter of 2011 to be a similar amount.

QBE said its losses from the December flooding likely would be about \$45 million and losses from the January floods would be about \$100 million.

See **YASI** page 21

\$1.52B

Insured losses from Cyclone Yasi may reach \$1.52 billion, according to catastrophe modeler AIR Worldwide.

DIRECTORS & OFFICERS LIABILITY

SEC taking tougher stance on Wall Street practices?

Recent crackdown on insider trades sparks concerns

By SONJA RYST

NEW YORK—Former regulators say governmental agencies face difficult questions in their efforts to improve the fairness of the U.S. financial system.

Panelists at the 2011 Professional Liability Underwriting Society's D&O Symposium in New York on Feb. 3 discussed recent developments ranging from insider trad-

ing cases to the Dodd-Frank Wall Street Reform and Consumer Protection Act.

For example, the SEC said in recent weeks that it charged hedge fund portfolio managers and analysts who allegedly netted millions by illegally trading on confidential information. The SEC, which alleged that the tipplers were technology company employees moonlighting as expert network consultants for Primary Global Research L.L.C., has been investigating such expert networks that purport to provide professional investment research to their clients.

The crackdown on insider trading has "been a more intense wave than we've seen before and shows changes in thought regarding prosecution," said Timothy Treanor, a New York-based partner at Sidley Austin L.L.P. Before representing companies and individuals for the law firm, Mr. Treanor was an assistant U.S. attorney in the Southern District of New York.

He said the practice of mosaic theory, or the idea that small pieces of information are not material and can be used collectively to direct successful trading,

See **PLUS** page 18

TORT REFORM

Lawmakers from group to explore tort reforms

By MARK A. HOFMANN

WASHINGTON—A new congressional caucus will provide a needed bipartisan forum for the discussion and debate of civil justice issues, the group's leaders say.

The bipartisan Congressional Civil Justice Caucus will not advocate specific pieces of legislation, Rep. Bob Goodlatte, R-Va., one of the group's co-chairs, said during a Capitol Hill news conference last week formally launching the group. Instead, it will promote a civil justice system that "respects the rule of law and advances the United States' leadership in inno-

vation, job creation and economic growth."

Rep. Goodlatte said individual members of the group may introduce or support particular pieces of tort-related legislation.

In addition, the caucus will work to advance the public's and members of Congress' understanding of how civil justice issues affect the country.

"This is something that has not gotten the attention it deserves," said Rep. Goodlatte, noting that liability issues received little discussion during the 2010 debate

See **CAUCUS** page 19

PROMOTING CIVIL JUSTICE

The new Congressional Civil Justice Caucus has four goals:

- To promote a civil justice system that respects the rule of law and advances the United States' leadership in innovation, job creation and economic growth.
- To advance the public's understanding of how civil justice issues affect the free enterprise system, the United States' global competitiveness, and businesses large and small.
- To provide a bipartisan forum for discussion and debate of policy issues related to the nation's civil justice system.
- To promote the education of members of Congress and their staff on civil justice policy issues.

Source: Congressional Civil Justice Caucus

INTERNATIONAL

Egyptian unrest triggers claims

Insurers expect losses from property claims, supply chain risks

By MICHAEL BRADFORD

CAIRO—Losses from nearly three weeks of violent protests in Egypt are unlikely to stress insurance markets as long as the departure of President Hosni Mubarak leads to an orderly transition of government and Egypt begins to function somewhat normally in the near term, experts say.

The 82-year-old president ended his 30-year presidency Friday,

having transferred presidential authority to Vice President Omar Suleiman a day earlier. A military council took control of the country's affairs.

President Mubarak's departure brought cheers from the crowds at Cairo's Tahrir Square, where people filled the streets since demonstrations began in late January. Violence that erupted during the protests in Egypt's capital left, by some accounts, hundreds dead and thousands injured.

The chaos left significant insured damage to retail outlets, and insurers said they expect business interruption and perhaps some claims from supply chain

disruptions triggered by port closures and shipping delays.

Sources said insured losses tied to the political violence in Egypt will reach tens of millions of dollars in property damage, business interruption and political risk claims. Still, that is not enough to cause much pain in insurance markets, and insurers should be able to meet their obligations as long as President Mubarak's departure leads to relative calm, sources said.

"It's not going to be a market-changing event for the global insurance industry," said Steven

See **EGYPT** page 6



REUTERS

Protesters mounted weeks of demonstrations, which turned violent and destructive at times, in demanding that Egyptian President Hosni Mubarak end his 30-year presidency and celebrated when he resigned last week.

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Egypt: Losses mount in political unrest

CONTINUED FROM PAGE 4

Weiss, vp, marine engineering and project cargo for Liberty International Underwriters in Houston.

Unless there are significant losses to come, "I don't think we will see much of a global impact on the market, Mr. Weiss said. "Even the business interruption losses have been relatively minor."

"The sooner things return to normal, or whatever the new normal becomes, the better for insurers," said Elizabeth Stephens, London-based head of credit and political risk analysis for broker Jardine Lloyd Thompson Group P.L.C. "It is too early to say what the level of claims will be from the protests and associated business interruption," she said in an e-mail, "but the sooner order is restored, the better for insurers."

As demonstrations stretched from days to weeks, supply chain losses began to surface, sources said. Egyptian ports were closed for a time and shipping delays were reported on the Suez Canal, slowing the movement of goods in and out of the region.

"There is disruption to supply chains," Ms. Stephens said. Shipments of commodities were delayed at ports shuttered during the protests, and banks were short of staff and were unable to quickly process payments from letters of credit, she said.

Shipments of cotton, textiles, processed food, oil and gas, and other products have been delayed in moving out of Egypt, Mr. Weiss said.

While the delays affected world markets, Egyptian companies also experienced problems because supplies they need were not moving quickly through the ports, he said.

Some risks may be covered under insurance that will pay for supply chain disruptions, Mr. Weiss said, but shippers generally do not have coverage for losses due to delays that are not related to physical damage.

As of late last week, ports were

'I don't think we will see much of a global impact on the market. Even the business interruption losses have been relatively minor.'

Steven Weiss,
Liberty International Underwriters

open and receiving some cargo, he said, "but none are working anywhere near capacity, and many shipowners are not comfortable going to those ports" for fear of being delayed there, Mr. Weiss said.

Cargo claims are not expected to be significant enough to cause much disruption in the insurance market, he said. "The cargo market has been so soft that there will probably not be any uptick

because of claims out of Egypt."

Gary Moore, managing principal at Integro Insurance Brokers Ltd. in New York, said marine underwriters he spoke with in London had seen little claims activity apart from a few losses related to delays in offloading perishable goods at Egyptian ports.

Much of the property damage from the protests affected retail businesses, said Clive Nicholls, London-based vp of global markets with Crawford & Co.

Major shopping centers in Tahrir Square in Cairo and Alexandria have been heavily damaged, said Mr. Nicholls. "Both were gutted and burned; the damage has been quite severe in those areas."

A mall in Tahrir Square with about 500 retailers was stripped of goods. "Everything's gone," he said.

There also was damage to banks and hotels in those cities, Mr. Nicholls said. "We haven't seen damage to big industrial sites," which tend to be located away from city centers, he said.

Insurance coverage issues will be overshadowed by other, more pressing concerns for now, Mr. Weiss said.

"A more important long-term issue for that part of the world is what replaces the current regime," he said of the former Mubarak administration. The political implications of the change will have far more impact on insurers than short-term losses from the recent demonstrations, Mr. Weiss said.

Commentary

Dogged pursuit of good citizenship



RODD ZOLKOS

Special Projects Editor Rodd Zolkos can be reached at: rzolkos@businessinsurance.com

Several months ago, I wrote about potential insurance risks linked to dog ownership and our flat-coated retriever, Smoke.

Fortunately, I was able to relate that while Smoke has been no stranger to mischief in the two-plus years he's been with us, he's been the cause of only one insurance claim, to replace my wife's BlackBerry after Smoke decided to explore its value as a chew toy.

In the days after the column appeared, one reader sent a note making the case for the American Kennel Club's Canine Good Citizen program as an underwriting guideline in insuring dog-owning homeowners.

We'd done basic obedience training with Smoke, and were interested in taking a shot at the CGC. As it does periodically, last month the Anti-Cruelty Society of Chicago offered the CGC evaluation, as well as a three-week preparatory program. While my initial inclination was to go straight to the evaluation, the Anti-Cruelty Society's lead trainer convinced me of the value of the preparation.

It was good advice.

The CGC evaluation is pretty straightforward, involving 10 exercises intended to speak to a well-mannered dog. They're basic stuff: accepting a friendly stranger, sitting for petting, appearance and grooming, walking on a loose lead, walking through a crowd, sitting and lying down on command and staying in place, coming when called, reacting to another dog, reacting to distraction, and supervised separation.

Yep, they're all pretty basic, but all 10 exercises have to be done correctly for the evaluator. Miss one and you're out. We quickly learned that working with Smoke in the park or the front yard was one thing. Doing the exercises that first Saturday morning with eight strange dogs in an unfamiliar setting and all the accompanying distractions left me wondering about our chances for success.

But, over the course of three weeks, the trainers provided excellent instruction and prepared us well for the evaluation. Kathy and I worked regularly with Smoke and on that fourth Saturday morning we showed up well-prepared.

Finally, we came prepared with the knowledge that many dogs don't pass on their first

go, so we arrived with the attitude that whatever happened, it had been a lot of fun and we'd learned a lot.

Ultimately, we passed and Smoke earned his CGC. If we'd walked into the evaluation that morning without the preparation though, we wouldn't have had a chance.

In the days after Smoke's little triumph, I was reminded again of the value of prepara-

Doing the exercises that first Saturday morning with eight strange dogs in an unfamiliar setting left me wondering about our chances for success.

tion, this time in dealing with potential calamity in the form of the blizzard that hit Chicago this month. The advance information on the storm was spot-on, and I think went a long way to helping people and businesses prepare for the storm and recover from it as quickly as possible.

Here at *Business Insurance*, our Chicago newsroom team was prepared to work from home for a day as the snow ended and the city started to dig out. In general, preparation allowed the Chicago area to respond well to the storm, I think (aside, of course, from the issue of hundreds of drivers stuck on Lake Shore Drive for eight hours or more, and something tells me the city will be better prepared there when the next blizzard hits).

Information and preparation obviously go a long way toward mitigating the impact of extreme weather events and other sorts of risks. And with getting your dog through his Canine Good Citizen exam.

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Business Insurance OPINIONS

Civil justice system not a partisan issue

EVEN IN A CITY overflowing with various specialized interest groups, the new Congressional Civil Justice Caucus is a welcome addition to Washington.

As we report on page 4, the new bipartisan congressional group will stress educating lawmakers and the general public about the impact that the civil justice system has on the U.S. economy, domestically and internationally. It provides a bipartisan forum in which members can discuss what reforms can and should be made to make the civil justice system work better for everyone involved.

Promoting economic growth, particularly given the economic landscape, should not be a partisan issue.

It's also worth noting that the caucus will not advocate specific bills relating to tort reform, although its individual members may choose to do so.

What we especially like about the caucus is that it is genuinely bipartisan—three Republicans and three Democrats. While we certainly hope the group continues to add members, it must remain bipartisan for several reasons.

A bipartisan approach is necessary to achieve any significant results even in the area of educating lawmakers about the strengths and weaknesses of the civil justice system. A bipartisan approach adds credibility to any recommendations the caucus might make. It may also ensure that reform will be more balanced than it might be if representatives of only one party were involved.

Promoting economic growth, particularly given the economic landscape, should not be a partisan issue. Helping ensure that the U.S. civil justice system works toward that end should not be a partisan issue, either.

States must take action on health care change

OF ALL THE PROVISIONS in the health care reform law, one of the least controversial is one that requires employers to extend coverage to employees' adult children up to age 26.

We can understand the popularity of the provision.

For employees, it means their children can retain coverage—for example, between college graduation and landing a job—at a relatively low cost.

For employers, the extension of coverage has added to their costs, but the increases are certain to be modest due to the good health of the affected population.

But employers are discovering that expanding their group plans to meet this new requirement is turning out to be a lot more complicated than anyone thought.

That is because, as we report on page 1, many states haven't made the necessary changes to their laws to ensure that the value or cost of the coverage is not added to employees' state taxable income even though federal law makes very clear that the coverage can be provided tax-free for federal income tax purposes.

Certainly, this is a change that states should make pronto. The administrative hassles employers face in complying with varying state rules on computing the value of the coverage for tax purposes far outweigh the modest amount of additional tax revenue states would gain by keeping their old tax laws on the books.

We also think states would want to encourage employers to continue their health care plans, and removing an administrative complication would seem to be one very reasonable way of doing that.



WRITE

Business Insurance welcomes letters to the editor. The section is intended to be a forum for readers' opinions and comments. We reserve the right to edit letters for clarity or space. We will not publish unsigned letters.

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THIS WEEK'S RESULTS

Should companies monitor employees' electronic communications, such as e-mail?



Yes, whenever they like

6%

Yes, within established policy guidelines

65%

No

28%

NEXT WEEK'S QUESTION

Is AIG's latest reserve boost for Chartist cause for concern?

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CAN YOU KEEP A SECRET?



Thieves seek corporate info

By **MICHAEL BRADFORD**

Data thieves no longer are content with stealing the identities of a company's customers and employees, but are zeroing in on more valuable information that makes up the corporation's identity, experts said.

Hackers' trying to pilfer corporate information means companies have to be vigilant about protecting more than traditional targets such as credit card and Social Security numbers, sources note. They have to protect internal company documents, too.

"It's really changed in the last couple of years," said Robert Hamilton, senior product market manager with Symantec Corp., a Mountain View, Calif., data security company. Credit card and Social Security numbers

can be sold, "but you have to take a lot of it" to have value to a potential buyer.

"Today, if they find a merger and acquisition plan, that can be used for insider trading," Mr. Hamilton said of cyber thieves. "A product plan can be brokered to another company. Those are the kinds of things people should be concerned about."

In some respects, information is more vulnerable than when corporate espionage tapped information that was stored "in an old-fashioned file cabinet," said Tracey Vispoli, worldwide cyber security product manager for Chubb Group of Insurance Cos. in Warren, N.J. "People keep their business plans, customer lists" and other intellectual

See **DATA** next page

Specialty Risks

SPOTLIGHT

RATES STABLE FOR EVENT CANCELLATION

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SPACE RISKS IN PERIOD OF SLOW CHANGE

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SOFT MARKET FOR SPACE COVER SEEN FOR 2011

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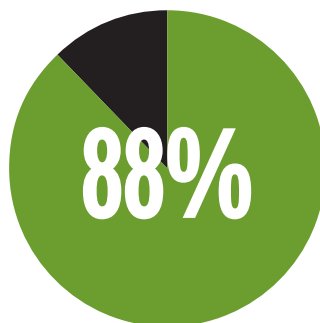
LIMITED LOSSES HOLDING DOWN SPACE RATES

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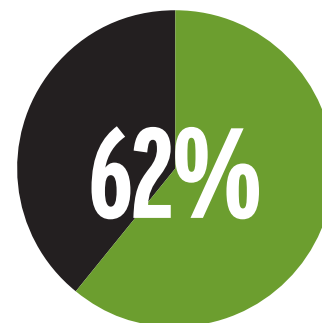
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THE AVERAGE ORGANIZATIONAL COST OF A DATA BREACH IN 2009

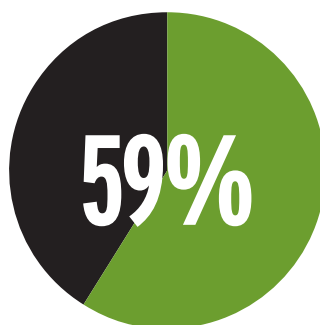
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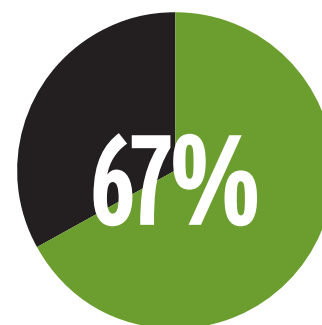
Percentage of companies that experienced a data loss in the past 12 months



Compound annual growth rate of unstructured data (word processing documents, spreadsheets, photos, video, etc.) in traditional data centers, 2008-2012



Percentage of ex-employees who left with company data



Percentage of ex-employees who have taken confidential data to leverage a new job

Data: Hackers seeking corporate information

CONTINUED FROM PREVIOUS PAGE

property in digitized formats that thieves are able to unlock, she said.

Some corporate executives unwittingly make it easier for hackers to gain access to the digital file cabinet, sources said.

One tactic of data thieves is to create legitimate-looking e-mails carrying malware that is planted on the corporate site, Mr. Hamilton said. In the age of social media, crafting such e-mails is easier than ever, he said.

"In the old days, when we didn't have LinkedIn and Facebook, it was difficult to fake an e-mail and pretend you were someone else," Mr. Hamilton said. These days, some executives put too much personal information on such sites, which makes it easier to deceive them with a phony e-mail that looks as if it came from a legitimate contact, he said.

"Don't feel compelled to open an attachment on an e-mail that comes from someone you didn't expect a message from," said Mr. Hamilton, who advised people to never accept invitations to be a friend or follower from an unfamiliar person.

Executives should not list personal information such as family member names, where they live, travel plans, pet names or anything else a thief could use to appear to be a colleague or confidant, Mr. Hamilton said.

"Check privacy settings" on computers, he said. "People with higher public

profiles should dial up privacy settings. And as crazy as it seems, people still are not using sophisticated passwords."

The threats to company data, though, don't always come from outside, said Mark Camillo, New York-

'Security costs money. When businesses are tight on money,' sometimes they cut back on IT security. 'They don't see the threat until it hits them.'

Tracey Vispoli,
Chubb Group of Insurance Cos.

based vp in the professional liability group at Chartis Inc. "All companies are concerned about the rogue employee," he said.

He said he has seen cases in which some have gone so far as to set up fake vendor accounts to steal goods or information. In some cases when disgruntled employees leave, they will take proprietary information with them, Mr. Camillo said.

"It is very difficult to protect against," he said of employees who become data thieves.

Kevin Kalinich, Chicago-based managing director of professional risk solutions for Aon Risk Services' financial services group, said companies need to avoid tunnel vision when considering how to protect their corporate identity.

"The focus has been too much on information technology security," said Mr. Kalinich. "It's much more about social engineering."

Corporations first need to "inventory your information, both quality and quantity," Mr. Kalinich said. "How much is that information worth? You have to quantify it" and then determine the amount of effort and expense to allocate to protecting data, based on its value to the company. Extremely critical information will get more attention than data that is not a primary target for hackers and would do little, if any, harm to the company if it were compromised.

"Security costs money," Ms. Vispoli said. "When businesses are tight on money," sometimes they cut back on IT security. "They don't see the threat until it hits them," she said.

Establish restrictions that deny employees access to information they don't need, Mr. Kalinich said. Companies that are good at this will allow access only to information such as pricing methodologies and other sensitive data on a need-to-know basis, he said.

In addition, Mr. Kalinich said, "Don't put all your data in one place where the bad guys can find it."

Companies such as Chartis and

Chubb offer insurance protection that will cover some losses related to the theft of corporate data.

The insurance generally covers third-party liability and first-party losses such as the cost of legal assistance, forensic investigations, adherence to notification requirements around stolen data, the expense to provide identity-monitoring services to clients whose data is stolen and other losses, Mr. Camillo said.

"It will also pick up the cyber extortion aspect," with coverage for the payment of ransoms to retrieve information, he said.

Chartis writes the coverage with limits up to \$25 million, with limits depending on the size and type of company, Mr. Camillo said.

Chubb's cyber security coverage, also written to limits of \$25 million, covers many of the same first- and third-party exposures, including extortion insurance, Ms. Vispoli said.

Insurers, though, have their own particular worries about the theft of sensitive corporate data, said Howard Mills, New York-based chief adviser of Deloitte & Touche USA L.L.P.'s insurance industry group.

"One of the things companies really want to know" when they receive an information request from a regulator, Mr. Mills said, is, "What's your security?"

Insurers worry that once the information leaves their control, the regulator's security system may be subpar, Mr. Mills said.

"This is a concern," he said, "and I think it will be a bigger issue going forward....Most insurers are very focused on this."

Event cancellation pricing stable

Harsh snowstorms highlight coverage, but few changes seen

By SONJA RYST

NEW YORK—Despite snow that collapsed the Hubert H. Humphrey Metrodome in Minneapolis and weather delays for travelers in many cities, experts say pricing remains stable on event cancellation insurance, which promises to pay financial losses when an event goes awry.

Despite the magnitude of recent storms, sporting and event companies on average paid the same or slightly less for their commercial insurance coverage in 2010 than they did the previous year, according to Marsh Inc., a unit of Marsh & McLennan Cos. Inc. The New York-based brokerage said it does not expect pricing to change this year.

However, there remains a steady flow of events that result in cancellation claims, experts say.

John Beam, vp at Willis Group Holdings P.L.C.'s office in Charlotte, N.C., said recent years have presented event cancellation risks such as swine flu, the Northeast-

'There was a lot of publicity, given the (Metrodome roof collapse) in Minnesota, but that was one isolated' incident.

Bob Murphy, Marsh Inc.

ern snowstorms of 2010, college campus violence, hurricanes and terrorism.

"There's always something every year that'll generate claims," Mr. Beam said. "In terms of the snowstorms here, I don't think there's been a great impact." He said storms may have postponed some events in the U.S. Northeast, but doubted they had much impact beyond that.

Insurers and brokers say the industry hasn't changed policy terms in response to recent weather events. In contrast, a volcano that erupted in Iceland last year—disrupting air travel in much of Europe among other effects—resulted in the exclusion of such disasters from event cancellation policies.

"There was a lot of publicity, given the (Metrodome roof collapse) in Minnesota, but that was one isolated" incident, said Bob Murphy, Marsh's global sports and events industry practice leader in Philadelphia.

The collapse required repairs and forced some NFL games to move to other locations, accord-

ing to news reports.

The ASO, Metrodome, NFL teams and the NFL did not respond to requests for comment on whether they had event cancellation insurance or made claims for recently disrupted events.

It would take a Katrina-sized hurricane that would wipe out many venues or a major earthquake to have any impact from a pricing standpoint for event cancellation cover. "It's not going to change anything. The only changes are awareness," Mr. Murphy said.

For organizations considering event cancellation insurance, experts advise conducting a thorough cost-benefit analysis first. The larger the event, the higher the stakes—but few, if any, large events have suffered a disaster large enough to require cancellation, experts say.

Still, event cancellation insurance can provide peace of mind for some organizations.

Derek Hazeltine, executive director of the Professional Liabili-

See **WEATHER** next page



AP PHOTO

The roof collapse at the Hubert H. Humphrey Metrodome in Minneapolis after a snowstorm that dropped heavy snow this winter forced some NFL games to move to other locations.

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AP PHOTO
Ground crews clear the tarmac at New York's LaGuardia Airport in January, following a snowstorm that stranded thousands in the Northeast.

Weather: Event coverage stable despite storms

CONTINUED FROM PREVIOUS PAGE

ty Underwriting Society in Minneapolis, said his organization always buys event cancellation coverage. PLUS relies on revenue it gets from three major events and "a number of" chapter events each year. If an event were canceled, it would need to refund money paid by attendees and pay for event services it ordered in advance.

However, PLUS has not yet had to make a claim—even for the "D&O Symposium" it held Feb. 2-3 in New York. Although a storm that week delayed or canceled flights, particularly in the Midwest, the conference went on.

'We certainly hope we never have to make a claim.' However, 'we're willing to pay for the peace of mind.'

Derek Hazeltine, Professional Liability Underwriting Society

"We certainly hope we never have to make a claim," Mr. Hazeltine said before the conference. However, "we're willing to pay for the peace of mind."

That peace of mind typically costs between 0.5% and 1.5% of revenue, according to Willis. This doesn't include insurance against nonappearance of performers, which can be more depending on factors such as the health of the person in question.

The nature of the risk is a major factor in the cost of event cancellation insurance.

Lori Shaw, Charlotte, N.C.-based global entertainment practice director at Aon Risk Solutions, a unit of the Chicago brokerage Aon Corp., said insurers look more favorably on policyholders that can reschedule an event rather than having to cancel it and suffer a larger loss.

Peter Williams, president of insurer OneBeacon Entertainment L.L.C., a Los Angeles unit of OneBeacon Insurance Group Ltd., said the entertainment industry traditionally has waited to "put some tours out" until March or April and started them in the southern states.

While trade shows hold events during the winter, many do so in warmer places. For example, organizers may select Orlando, Fla., instead of Boston.

"It depends on what you're doing" and trying to promote, Mr. Williams said. Some events are rooted to one location, he added, and organizers of other events may face cost restrictions that won't allow them to relocate to less exposed locations, he said.

Sometimes, outdoor music events will transfer some of their weather risk to customers, including fine print on the backs of tickets that say the show will go on rain or shine.

Questions & Answers



Space insurance buyers would like to see underwriters develop broader coverage and a more rational approach to pricing, says Philippe Cotelle, Munich-based head of insurance risk management at Astrium N.V., the space division of European Aeronautic Defense & Space Co. N.V. In a recent conversation with Business Insurance correspondent Stuart Collins, Mr. Cotelle looked at the state of the space insurance market.

Atmosphere changes for satellite insurance

Q: Are space insurance rates attractive?

The space insurance market is benefiting from a period of gradual evolution, and not revolution, in satellite and launch technology, which led to fewer claims. As a result, the insurance market has been profitable. However, there will be a point when we will enter a new technology cycle at a time when rates are low. My concern is that there may be a point when claims rise and the market reacts with higher rates. It is therefore important that insurers and insureds address this now in a rational way, because we do not want a crisis in the space insurance market to happen again (like after the losses of 2000-2001 when some underwriters pulled out and rates increased).

Q: What developments do you see in the market?

The space insurance market is slowly evolving. For many years, the insurance product has covered the asset—either the replacement value or the book value of a satellite. Now we are moving to a more complex product that reflects the financial pressures that satellite operators like Astrium are under. We are increasingly looking for insurance to cover losses that impact our business plan—such as loss of revenues—and we have worked with some insurers to develop such coverage. The market is open to offering insurance for business interruption risks and, while not all underwriters are able to offer it now, I expect that it is something we will see more and more.

Q: What changes in the market would you like to see?

Underwriters always complain that rates are too low, but from my perspective the price should be right and predictable. On every new satellite program at Astrium, I have to set a budget for 10 years, and forecasting insurance premiums is an important part of that. I am not asking to buy a long-term contract, but I would like to better understand the pricing criteria used by underwriters to make an assessment. We push underwriters to explain the rationale behind pricing. However, the market should allow the lead underwriters to express their views on pricing trends and drivers, otherwise it lacks credibility.

Q: Does space insurance offer good value?

Typically, satellite operators have low retentions and will look to transfer exposures to the insurance market. With such high values at risk and probability of loss, it is difficult to self-insure. Space insurance is therefore a valuable tool that helps secure financing and allows the continued development of the satellite sector. When rates were at 20% of insured values, some operators got together and agreed on a system of mutual protection—they provide physical backup to each other should a satellite fail. This approach has its limitations, but a backup contract could be considered as an alternative or a complement to space insurance.

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Space insurance rates expected to fall in 2011

Last year's trend likely to continue absent large losses

By **STUART COLLINS**

Space insurance rates are likely to fall further and coverage terms are likely to broaden this year, assuming competition remains fierce and claims remain benign, market experts say.

That would be much like last year, when pricing was soft and competition was strong, said Pascal Lecointe, Paris-based underwriter at Hiscox Ltd.

"Buyers of space insurance made big savings in premium last year compared with previous years," he said.

Rates for launch and in-orbit coverage are at their lowest levels in 10 years, said Peter Elson, partner at JLT Aerospace in London, a unit of Jardine Lloyd Thompson Group P.L.C. Space market pricing has fallen since a spate of losses in the late 1990s and early 2000s that prompted several insurers to withdraw from the sector, he said.

Premium rates for launch plus one-year in-orbit insurance fell to less than 10% of the insured value, the lowest level since rates peaked at 20% of insured value in 2004, said Jan Schmidt, head of space insurance and reinsurance at Zurich-based Swiss Reinsurance Co.

Swiss Re did not deploy its entire space insurance capacity in 2010 because of the soft market and is "declining quite a few risks at the moment because of market conditions," Mr. Schmidt said.

In a sign that satellite insurance rates are attractive, some satellite operators are buying insurance two or three years in advance of a launch to take advantage of soft prices rather than the more typical one year in advance of a launch, he said.

The reduction in rates for launch and in-orbit satellite insurance have been justified by lower levels of claims and substantial profits made by underwriters, said Roger Bathurst, CEO of Willis InSpace, a unit of Willis Group Holdings P.L.C.

The space insurance sector has made a cumulative profit of \$2.1 billion during the past nine years, he added.

While profitable, there also were mishaps, such as the failure of a Proton-M launch carrying three Russian global orbiting navigation satellite system satellites in December, which was insured for only \$3 million. Insurers also dodged a bullet with communications satellite SkyTerra 1, which looked like it would be a total loss when its antenna temporarily failed to open but was later fixed.

While losses generally were limited in 2010, the year had the single-largest loss ever in the satellite

insurance market, said Chris Gibbs, space underwriter at Brit Space Consortium in London, part of Brit Insurance Holdings N.V. This was the \$343 million loss of Eutelsat W3B.

"One more large loss would have pushed the market over the edge and in all likelihood would have witnessed a significant rise in premiums," Mr. Gibbs said.

See **SPACE** next page

A Proton-M rocket like this one last year failed to launch three satellites into orbit, resulting in a minor insured loss.



AP PHOTO

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More satellites are going up, but losses are not

Despite active industry, insured losses modest over past few years

By **STUART COLLINS**

The space industry is booming, but experts say insured losses have been relatively low in recent years.

Somewhat insulated from the economic downturn, the number of satellites being built is down only slightly from few years ago, said David Todd, London-based aerospace analyst at Ascend Worldwide Ltd.

New technology, demand for bandwidth, and an increasing number of governmental and military satellites have helped maintain demand, Mr. Todd said.

In addition, a significant number of satellite launches are in the pipeline for the next three years, said Pascal Lecointe, Paris-based underwriter at Hiscox Ltd. "This will translate into a good flow of underlying business to insurers in premium," he said.

Despite relatively high levels of launch activity, insured losses have been modest, experts say.

Total insured losses in 2010 were \$378.5 million, which were more than half of the space sector's estimated annual gross premium, said Mr. Todd. That compared with losses of \$428 million in 2009 and \$375.2 million in 2008.



AP PHOTO

Workers ready a Chinese navigation satellite for launch. The satellite was put into orbit last December from a launch center in Xichang.

"The last bad year for space insurers was 2007, when losses of \$871.6 million exceeded gross premiums of \$650 million. Other than 2007, the sector has been relatively stable, having been profitable since making a loss in 2002," Mr. Todd said.

In-orbit insured losses were \$375.5 million in 2010, mainly from the \$343 million loss of a Eutelsat Communications satellite in October, according to Ascend Worldwide.

Other insured losses included the failure of a Chinese government-owned ChinaSat 6A fuel system (\$22 million), the temporary failure of a Galaxy 15 satellite (\$6.5 million), and a communications malfunction on the Amazonas 2 (\$4 million).

There was only one insured launch failure in 2010 and that was relatively small—a \$3 million insured loss of a Proton-M rocket that was carrying three Glonass M navigation satellites in

December. However, the uninsured loss was much higher.

In total, there were four launch failures out of 74 attempts in 2010. Apart from the Proton-M failure, there was the June failure of a South Korean KSLV-1 rocket and two launch failures involving Indian GSLV rockets in April and December.

While fuel issues were the most prominent causes of insured in-orbit losses in 2010, no loss trends emerged during the year, said Mr. Todd. "Losses are now lower than the early 2000s because of tighter policy conditions and general improvement in launch and satellite reliability," said Mr. Todd. "The real danger is from falling premium rates, which may result in premiums eventually being outweighed by losses in a given year."

Most insured losses are from launch failures or malfunctioning satellites, said Jan Schmidt, head of space insurance and reinsurance at Zurich-based Swiss Reinsurance Co. But underwriters are cognizant of potential losses from solar weather and space debris, he said.

"In recent years, there have not been any major anomaly losses or claims from solar flares. However, cover is provided for these exposures under all-risk policies," said Mr. Schmidt.

Underwriters anticipate that anomaly claims could rise because of increasing space debris and projections that solar weather activity will increase in 2013, he added.

Space: Rates seen declining further for some risks

CONTINUED FROM PREVIOUS PAGE

The reliability of launch vehicles and satellites has not changed in recent years, and underwriters cannot justify further rate reductions given the inherent risks of the space market, said Mr. Lecointe. That is likely to result in "gentle pressure" on rates rather than "massive reductions," he said.

For certain risks, there is room for rates to fall further, said Mr. Bathurst. "It is a good time for satellite insurance buyers, but rates are not as low as they could be. If the favorable loss experience continues, rates could come down significantly more."

Available capacity has flattened in the past couple of years, but more than enough capacity remains, said Mr. Gibbs.

The space insurance market has an average of about \$600 million of capacity that is available to insure a maximum satellite loss of about \$300 million, experts say.

However, the market is starting to see satellites with larger values and these stretch capacity that is available, said Mr. Gibbs.

"Due to the pure economics of supply and demand, this may well



AP PHOTO

Workers at Harris Corp. in Florida finish building an antenna reflector for communications satellite SkyTerra 1. The antenna temporarily refused to open but was repaired, allowing last year's launch to proceed.

reverse the current rating trend," Mr. Gibbs said.

Broader terms

Satellite coverage also is likely to be broader in a competitive market, Mr. Bathurst said. "There will come a time soon when insurers seek to increase their premium; but in a soft market, that would prove difficult without increasing

the scope of cover," he said.

Policy terms and conditions are under pressure, but fundamental coverage remains firm, including specific deductibles and exclusions that protect insurers from "nonfortuitous" losses or known technical faults, said Mr. Gibbs.

The soft market is likely to encourage more underwriters to offer in-orbit coverage for longer

policy periods on launch policies, a practice that was largely ended after large losses in the early 2000s. "That is likely to be the next market dynamic," said Mr. Bathurst.

Swiss Re began offering launch and three- and five-year in-orbit coverage in 2006 and has sold 19 multiyear policies, Mr. Schmidt said. The reinsurer offered the coverage in response to client demand, particularly those with private equity and venture capital funding, he said.

Long-term satellite policies are offered only to "clients with good reputations, loss records and a prudent technical approach," Mr. Schmidt added.

Even though consolidation has enabled some operators to increase retentions, they are open to transferring more risk to insurers through multiyear policies where it is cost-effective, Mr. Elson said.

Buyers would like to see insurers offer more sophisticated coverage for broader risks, such as the cost of launch delays, loss of revenues after a launch or satellite in-orbit failure, or the cost of reconfiguring business after a loss, according Mr. Elson.

PREMIUMS VS. LOSSES

Since 1990, estimated space market premiums collected by insurers have been greater than losses except in six years—1990, 1994, 1998, 2000, 2001 and 2007. Amounts in millions of dollars.

Year	Gross premiums	Total losses
1990	\$310	\$473
1991	260	137.4
1992	330	279.4
1993	320	199.8
1994	590	809.3
1995	810	310.5
1996	795	693.2
1997	900	721.2
1998	850	1,813.7
1999	700	600.1
2000	750	1,093.9
2001	550	1,366.6
2002	800	333.8
2003	650	617.5
2004	950	756.6
2005	876	93.5
2006	810	321.2
2007	650	817.6
2008	720	375.2
2009	900	428
2010	750	378.5

Source: Ascend Worldwide Ltd., based on broker estimates

Market Moves

Chaucer, Coastal Marine form partnership

ESSEX, England—Chaucer Syndicates Ltd. has established a coverholder partnership with Coastal Marine Services Ltd.

Under the agreement, for which financial terms were not disclosed, Coastal Marine will underwrite hull and machinery as well as protection and indemnity risks on behalf of Chaucer syndicate 1084, the managing general agent unit of Chaucer Group P.L.C. said in statement.

Recently approved by the U.K. Financial Services Authority, Essex-based Coastal Marine is a newly formed MGA that focuses on small-vessel owners operating craft up to 5,000 gross tons.

As part of the agreement, Coastal Marine will transfer its book of business, which includes 400 hull and machinery and P&I clients, to the new partnership, according to the statement.

Philip Graham, marine hull and liability class underwriter for syndicate 1084, and David Tiney, director of Coastal Marine, will manage the partnership.

Airclaims opens South Africa office

BRYANSTON, South Africa—Airclaims Ltd. has expanded its network with an office in South Africa.

The office near Johannesburg aims to strengthen the firm's presence as commercial and general aviation activity grows in the region, the London-based aviation third-party provider said in statement.

Airclaims has named Jaco van der Merwe as country manager to lead the office. He joined Airclaims from Atlas Air Worldwide Holdings Inc., where he oversaw the maintenance program for its Middle East-based air fleet.

The office is at 807/2 Hammets Crossing Office Park, 2 Selborne Road, Maroeladal Ext 15, Bryanston, 2188, Republic of South Africa.

According to the firm's website, phone calls for the Johannesburg office will be routed temporarily through London until offices lines are established. The phone number is +44-020-8897-1066.

Arthur J. Gallagher buys consulting firm

NEW YORK—Arthur J. Gallagher & Co. has acquired a New York-based executive compensation and corporate governance consulting firm.

The acquisition of James F. Reda & Associates L.L.C., for which terms were not disclosed, is part of a strategy to bolster Gallagher's employee benefits brokerage and consulting operations, the Itasca, Ill.-based insurance brokerage said in a statement.

James F. Reda & Associates specializes in executive compensation advisory services to privately held and publicly traded companies in the United States.

The firm and its staff will continue to operate from its current locations, which include a satellite office in Alpharetta, Ga., under the direction of William Ziebel, north central regional executive vp of Gallagher's employee benefit consulting and brokerage unit.

RFIB Group establishes Russian brokerage

MOSCOW—RFIB Group Ltd. has established retail insurance brokerage operations in Russia.

Anglo Russian Insurance Broker

is based in Moscow and is licensed to operate as a broker and agent, the London-based insurer said in a statement.

The unit has secured several agency agreements with local insurers and is working toward developing a network of agencies targeting corporate retail business, according to the statement.

"Russia does not have a well-developed domestic broker sector, and we believe there is now a real opportunity for an independent broker who can offer local expertise with the support of established international parents," said John Metcalfe, director, international, for RFIB.

AnRu will be managed by Oksana Solomko, who has been

named general director. Most recently, she was reinsurance manager for Yakor Insurance Co. in Moscow.

Aspen sets up platform for brokers in U.K.

LONDON—Aspen Insurance U.K. Ltd., a unit of Aspen Insurance Holdings Ltd., has launched regional insurance and risk management platform Aspen Risk Management Ltd. for select insurance brokers in the United Kingdom.

London-based Aspen Insurance Risk Management provides insurance and risk management services including property, casualty and specialty insurance via select

brokers through offices in London, Birmingham and Bristol, England, and Glasgow, Scotland, the insurer said in a statement.

Aspen Risk Management is located at Plantation Place, 20 Fenchurch St., London, England, EC3M 3BD. The telephone number is +44-020-7184-8000.

TO SUBMIT ITEMS

BI's Market Moves column reports on activities by insurance industry companies and related entities. Please send news of Market Moves to Mike Tsikoudakis, 360 N. Michigan Ave., Chicago, Ill. 60601 or e-mail mtsikoudakis@businessinsurance.com.



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Industry veteran Barbara Stewart dies

By MIKE TSIKOUidakis

ATLANTA—Barbara D. Stewart, who was president of Stewart Economics Inc. in Atlanta and director of Main Street America Holdings Inc., died recently at age 67.

Ms. Stewart formed insurance consulting firm Stewart Economics in 1981. Her work included strategic planning and problem solving, analysis of insurance companies and their operations, studies of competitive and regulatory issues in insurance markets, and evaluations of insurance organizations.

She also was director of Main Street America Holdings and former director of Insurance Services Office Inc. and Capital Re Corp., and she served as corporate economist for Chubb Group of Insurance Cos. from 1974 to 1981.



Ms. Stewart

Ms. Stewart died Dec. 27 from lung cancer.

A former overseer of the School of Risk Management (formerly College of Insurance) of St. John's

University in New York, she is also well-known for several papers and co-authored studies on the history and economics of the commercial insurance industry.

Ms. Stewart was named Insurance Woman of the Year in 1987 by the Assn. of Professional Insurance Women. In 2000, she was honored by *Business Insurance* as one of its 100 Leading Women for her contributions and leadership roles in the insurance industry.

"She was a wonderful observer of the industry," said Alice Cornish, retired security analyst for Prudential Securities Inc., which is now Prudential Equity Group L.L.C., in Boston. "The insurance industry needs more people who think about profit cycles and think about why the industry isn't always as prosperous as you would assume it would be."

Utah's rapid captives growth continues

By JERRY GEISEL

SALT LAKE CITY—Utah licensed 54 new captives in 2010, bringing the state's year-end total to 188 and catapulting Utah over South Carolina and Hawaii to become the second-largest domestic domicile.

A majority of the new captives were small and qualify for favorable tax treatment under Section 831(b) of the Internal Revenue Code.

Under that section, up to \$1.2 million in premiums can be paid to the captive without the premiums being included in the captive's taxable income.

In addition, four of the new captives previously were licensed in offshore domiciles.

The 54 new captives licensed last year represents a significant increase from the 33 captives licensed in 2009 and 32 in 2008.

Ross Elliott, director of the Utah Insurance Department's Captive

Division in Salt Lake City, attributed the growth to such factors as an attractive captive statute, a good business environment and the state's easy accessibility from most parts of the United States.

Utah has grown rapidly as a captive domicile since the passage of 2005 legislation that eliminated premium taxes paid by captives licensed in the state. Instead, captives pay a flat \$5,000 fee regardless of size.

UP Comings & Goings CLOSE



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HOBBIES: Traveling.

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LEGAL NOTICE

UNITED STATES BANKRUPTCY COURT • SOUTHERN DISTRICT OF NEW YORK
In re GLOBAL GENERAL AND REINSURANCE COMPANY LIMITED
Debtor in a Foreign Proceeding.

In a Case Under Chapter 15 of the Bankruptcy Code
Case No. 11-10327 (RDD)

NOTICE OF FILING AND HEARING ON PETITION UNDER CHAPTER 15 OF THE UNITED STATES BANKRUPTCY CODE

PLEASE TAKE NOTICE that on January 31, 2011, Simon Brincklow (the "Petitioner"), the duly authorized foreign representative, as defined in section 101(24) of title 11 of the United States Code (the "Bankruptcy Code"), of GLOBAL General and Reinsurance Company Limited (the "Company") commenced the above-captioned case (the "Chapter 15 Case") by filing a Petition (the "Petition"), pursuant to Chapter 15 of the Bankruptcy Code, with the United States Bankruptcy Court for the Southern District of New York (the "Court");

PLEASE TAKE FURTHER NOTICE that the Petitioner seeks, among other things, entry of an order giving full force and effect in the United States to the scheme of arrangement (the "Scheme") proposed by the Company and sanctioned, pursuant to Part 26 of the Companies Act 2006 of Great Britain, by the High Court of Justice of England and Wales, a permanent injunction and related relief;

PLEASE TAKE FURTHER NOTICE that the Petitioner is requesting recognition of a foreign main proceeding, as well as a permanent injunction and related relief;

PLEASE TAKE FURTHER NOTICE that in addition to the Petition, the Petitioner filed, among other things: (i) the list required to be filed with the Petition pursuant to Rule 1007(a)(4) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"); (ii) the Statement of Foreign Representative required to be filed pursuant to section 1515 of the Bankruptcy Code; (iii) the Verified Petition under Chapter 15 of the Bankruptcy Code for Recognition of a Foreign Main Proceeding, for a Permanent Injunction and Related Relief; (iv) the Memorandum of Law in Support of Petition Under Chapter 15 of the Bankruptcy Code for Recognition of a Foreign Main Proceeding, for a Permanent Injunction and Related Relief; (v) the Declaration of Geraldine Emma Quirk, English Counsel; and (vi) the Corporate Ownership Statement required to be filed pursuant to Bankruptcy Rules 1007(a)(4) and 7007.1 (collectively, the "Supporting Documents");

PLEASE TAKE FURTHER NOTICE that pursuant to the Order Limiting Notice, Scheduling Hearing and Specifying the Form and Manner of Service of Notice, dated February 1, 2011, the Court has scheduled a hearing (the "Hearing") for March 4, 2011 at 10:00 a.m., or such other time as counsel may be heard, before the Honorable Robert D. Drain in Room 118 of the Bankruptcy Court, 300 Quarropas Street, White Plains, New York, to consider the Petition and the relief requested by the Petitioner;

PLEASE TAKE FURTHER NOTICE that any party in interest wishing to submit a response or objection to the Petition or the relief requested by the Petitioner must do so pursuant to the Bankruptcy Code and the Local and Bankruptcy Rules, including, without limitation, Bankruptcy Rule 1011, in writing and setting forth the basis therefore, which response or objection must be filed with the Office of the Clerk of the Court, Room 534, One Bowling Green, New York, New York 10004-1408, and served on Chadbourne & Parke LLP, 30 Rockefeller Plaza, New York, NY 10112 (Attn: Francisco Vazquez, Esq.) so as to be received no later than 4:00 p.m. (EDT), February 24, 2011;

PLEASE TAKE FURTHER NOTICE that the response or objection to be filed with the Office of the Clerk of the Court must be filed: (i) electronically by registered users of the Court's electronic case filing system in accordance with General Order M-399 of the Bankruptcy Court, a copy of which may be viewed on the Court's website, www.nysb.uscourts.gov; and (ii) by all other parties in interest on a CD-ROM, with hard copy provided to the Chambers of the Honorable Robert D. Drain at the address specified above;

PLEASE TAKE FURTHER NOTICE that all parties-in-interest opposed to the Petition or the Petitioner's request for relief must appear at the Hearing at the time and place set forth above;

PLEASE TAKE FURTHER NOTICE that the Hearing may be adjourned from time to time without further notice other than an announcement in open court at the Hearing or the adjourned date or dates of the Hearing and filing of a notice on the Court's electronic docket of the Chapter 15 Case; and

PLEASE TAKE FURTHER NOTICE that if no response or objection is timely filed and served as provided above, the Court may grant the recognition and relief requested by the Petition without further notice. Copies of the Petition and the Supporting Documents will be made available upon request at the office of the Petitioner's United States Counsel at the address below:

CHADBOURNE & PARKE LLP • Attorneys for the Petitioner • 30 Rockefeller Plaza
New York, New York 10112 • (212) 408-5100 • Attn: Howard Seife, Esq. and Francisco Vazquez, Esq.

REQUEST FOR PROPOSAL

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY (Metro)

REQUEST FOR PROPOSALS

Metro will receive proposals for PS-0531-2717 per specifications on file at the LACMTA Office of Procurement & Material Mgmt, One Gateway Plaza, Los Angeles, CA 90012 (9th Floor).

All proposals must be received on or before Friday, April 22, 2011 Pacific Time at the address listed above, sent to the attention of Maria V. Lechuga. Proposals received later than the above date and time will be rejected and returned to the proposer unopened. A Pre-Proposal conference will be held on Wednesday, February 16, 2011, 1:30 p.m. located at the address above.

You may obtain a copy of the RFP, or further information, by faxing Maria V. Lechuga at (213) 922-1005.



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Age 26: Taxes complicate adult children coverage rule

CONTINUED FROM PAGE 1

a college or university. Employers also required the child to be a dependent of the employee.

Internal Revenue Service guidance issued after approval of the health care reform law made it clear that employers could provide the coverage tax-free to the employee through the end of the calendar year in which the adult child turns 26.

Prior to the Patient Protection and Affordable Care Act, the U.S. Tax Code allowed tax-free coverage of employees' children to age 19, or to age 24 if the dependent child was a full-time student.

But that relatively straightforward change is generating problems for employers because the expanded coverage may be taxable under some states' laws, with little guidance on how to calculate the tax liability.

Compounding the problem is that some states may amend their laws retroactively to eliminate the tax issue, but at this point no one knows which states will act.

"It is a big problem, but only recently has it started to get some visibility," said Rich Stover, a principal with Buck Consultants L.L.C. in Secaucus, N.J.

While most states automatically conform their tax laws to federal tax law anytime it changes, roughly 15 to 20 states do not. Unless those states update their tax laws, employees who have added their adult children to their policies will face additional state taxes.

For example, California law sets a five-part test, all parts of which must be satisfied for the coverage to be excluded from employees' taxable income. Among other things, the child must be younger than 19, or 24 if a full-time student, and not provide for more than half of his or her own "support."

As a result, if an employee added an adult child who did not satisfy the test, the portion of the insurance premium attributable to the child would be considered taxable wages and subject to California taxes, according to guidance by the California Employment Development Department.

But the precise value of the coverage and how much income would be added to employees' W-2 wage and income statements isn't clear and varies by state.

For example, the Wisconsin

Department of Revenue says if the adult child is not a dependent, the coverage's "fair market value" would be considered income. But Wisconsin regulators also haven't provided guidance for employers to calculate the fair market value. "The Department of Revenue cannot determine the fair market value of the coverage," the agency said, noting that is something employers and insurance providers should do.

Other states are providing guidance, but in some cases it raises more questions than answers, experts say.

In California, income attributed

to the employee for coverage of a nondependent adult child would be the difference between the premium paid including that child and the premium paid without the child, according to the EDD.

But it isn't clear how the calculation would be made if the health care plan were self-funded and no insurance premiums were paid.

"The lack of guidance and variance of state rules on the reporting issue has become a very real and huge issue," said Michael Thompson, a principal with PricewaterhouseCoopers L.L.P. in New York.

"This is creating a big reporting

issue, and one employers now are starting to grapple with," said J.D. Piro, a principal with Aon Hewitt Inc. in Norwalk, Conn.

The problem could ease as more states pass legislation make their tax law conform with federal law concerning the tax treatment of coverage provided to employees' adult children.

"My hunch is most states will conform their laws," but state action will take some time, said Cathy Stamm, a principal with Mercer L.L.C. in Washington.

For example, it took Wisconsin seven years to mesh its tax law to follow a 2003 federal law that

excludes health savings account contributions from employees' taxable income. Wisconsin approved the change in law just last month.

"Inevitably, some states, through the passage of legislation, will solve the problem, but we don't know which ones" will take that step, said Andy Anderson, a partner with Morgan, Lewis & Bockius L.L.P. in Chicago.

Employers with employees in nonconforming states will have to decide what approaches to take, consultants say. Some may wait and hope their states take action to bring state law into line with federal law on the issue.

"There is still sufficient time for states to act for 2011," Aon Hewitt's Mr. Piro said.

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D&O insurers expand cover

But lack of clarity may cause problems when claims occur

By **SONJA RYST**

NEW YORK—Directors and officers liability insurance providers have changed the ways they promise to protect corporate leadership from liability-related litigation, but experts say buyers should be aware of the nuances of the coverage.

Dan Bailey, a member of Bailey Cavalieri L.L.C., who represents directors and officers, corporations and insurers, said he's seen a greater change in the basic D&O policy terms during the past 12 months than in the past 25 to 30 years. "It's really remarkable, the number of enhancements that are now commonplace," Mr. Bailey said during a Feb. 2 panel discussion he moderated at the 2011 Professional Liability Underwriting Society's D&O Symposium in New York.

For example, D&O insurance long has promised to cover expenses such as the legal settlements arising from allegations that company managers didn't act in their shareholders' best interests. Insurers last year introduced new policies that broadened the definition of what triggers a claim to include formal and informal investigations, including the U.S. Securities and Exchange Commission. But such investigations aren't always clear-cut, and sometimes the SEC will

solicit information from companies without saying why, experts said.

Kenneth W. Ross, executive vp at brokerage Willis North America, a New York unit of London-based broker Willis Group Holdings P.L.C., said the enhancement means the onus is now on the insured to give notice when investigations begin.

"The good news is we have more coverage" than five or 10 years ago, Mr. Ross said. "The bad news is we have potential problems."

Mr. Ross said policyholders should be aware of the issue and take steps such as softening the notice provisions in their contracts with insurers. For example, a policy might cover claims made within 60 to 90 days after an investigation begins. Another way to address the problem might be to require that the policyholder give notice only in the event that senior officers, such as the general counsel, are aware of the investigation, Mr. Ross said.

"People have differences of opinion as to whether ambiguity" is better for the insureds, said Michael Price, senior vp at Arch Insurance Group, a division of Bermuda insurer and reinsurer Arch Capital Group Ltd. "It allows for maximum negotiation...for making sure coverage can be available at least to some extent," he said.

Mr. Price added that the definition of what triggers a claim might need more clarification, because it can be hard to identify the absolute trigger of informal investigations.

The panelists discussed other

questions about D&O coverage that leave room for debate. For example, Mr. Ross described the hypothetical situation that a merger or acquisition deal is priced at \$10 a share, the shareholders sue alleging that managers should have gotten \$12 a share, and the lawsuit eventually results in a settlement for a \$2 per share price increase. Mr. Ross said a recent court ruling addressed the way D&O policies exclude coverage related to such share price increases. "There are still a lot of open questions here," he said.

The one clear-cut point that emerged in the panel discussion was that D&O policies are confusing.

Mr. Bailey said many people don't completely understand how D&O works—even some directors who think they understand the coverage.

"The communication function is critical, not just between the broker and underwriter but more importantly with the insured," Mr. Bailey said. He said misunderstandings and misperceptions about D&O are "enormous," even among people who "purport to" know about it. "The communication between insureds and insurers is lacking, and very, very important," Mr. Bailey said.

Experts recommend that company managers speak directly with their insurance providers rather than relying solely on information about their coverage from their brokers.



Brian Duperreault, president and CEO of Marsh & McLennan Cos. Inc., expects the insurance market to turn.

Duperreault expects change in pricing

NEW YORK—Brian Duperreault, president and CEO of New York-based brokerage Marsh & McLennan Cos. Inc., said the insurance market will make a comeback "sooner rather than later."

While significant losses such as the Sept. 11, 2001, terrorist attacks in New York and Washington often precipitate a hard market, the sentiment of underwriters also has an important effect on insurance pricing, he said.

Many underwriters are "tired" of the soft market, Mr. Duperreault said, and market participants are ready for a turn in the market.

In his address earlier this month at the 2011 Professional Liability Underwriting Society's D&O Symposium in New York, Mr. Duperreault said the while a market hardening might be accelerated by a significant catastrophe loss, but it must stem from the mindset of those in the industry.

To illustrate his point, he explained that the 9/11 attacks obviously had an "enormous impact" on insurance market conditions. But even before Sept. 11, exhaustion had crept into the market and insurers were at the "end of their rope," he said. At some point they began saying enough was enough and refusing to lower their prices.

"You can't underestimate the importance of the market psyche," Mr. Duperreault said.

He pointed out that if any event would turn a market, the financial crisis of 2008 should have done it, but the market just wasn't ready psychologically in 2009 and 2010. Psychology still "might not be right today, but I'll tell you one thing—we're all getting tired" of falling prices, Mr. Duperreault said. "So in terms of timing, I'd say it's sooner rather than later" that the market will turn around, he said.

Around 1,000 lawyers, insurers and other D&O experts attended the two-day conference, which included panels on topics that ranged from securities litigation to insurance claims to private companies.

The next PLUS D&O Symposium is scheduled in New York on Feb. 8-9, 2012.

—By Sonja Ryst

PLUS: SEC may take tougher stance on Wall St. practices

CONTINUED FROM PAGE 4

has been thrown into question. "Around New York and in the country, there are people who are questioning the way they conducted their own business, and they're uncertain about how to proceed because of the lack of understanding about a standard," he said.

Recent insider trading cases, starting with hedge fund Galleon Group L.L.C. in 2009, have involved traders allegedly getting information from channel partners, employees or officers of the companies being traded. While it's clearly "over the line" to obtain information from a chief financial officer about quarterly earnings ahead of an announcement, there are all kinds of ways to get information relevant to trading. Mr. Treanor said questions have arisen around the definition of "materiality," or the amount of information considered important enough to require disclosure.

Simon M. Lorne, who is chief legal officer at hedge fund manager Millenni-

um Management L.L.C. and has held public sector roles such as SEC general counsel, said it's clear that if you go to an expert network that gives you inside information in violation of its duty, you can't legally trade on it. Insider trading matters that the SEC and Justice Department have brought so far "haven't stretched the imagination," he said, and were clear violations not only now but also 10 years ago.

But he said there are questions around the distinction between legitimate research and improper use of material information. For example, suppose a manufacturer in Taiwan—someone not easily subject to U.S. law—tells an analyst how many parts it shipped to a major technology firm. Does that supplier have a duty not to provide such information? "Those are difficult questions," Mr. Lorne said. He said he thinks such issues might be implicated in future cases.

The panelists also discussed various other regulatory issues.

For example, panel moderator Alexander Southwell, a New York-

based partner at Gibson, Dunn & Crutcher L.L.P., asked if the economy would be where it is now if new laws such as Dodd-Frank had existed before 2008.

Brian McCormally, a partner at Arnold & Porter L.L.P., said the Office of Thrift Supervision had examined American International Group Inc. many years before the crisis that led to the New York-based insurer's bailout by the government. Dodd-Frank "would not have changed the fact that the agency just dropped the ball because they didn't understand credit default swaps," Mr. McCormally said.

Mr. McCormally has held senior legal positions in the enforcement and regulatory compliance areas at the OTS and the Office of the Comptroller of the Currency.

Mr. Lorne said people are aware of the problems that took place at AIG, so if those same circumstances were to occur again, the newly created Financial Stability Oversight Council would do something to prevent them. But if the events at AIG hadn't happened, he said he doubted that regulators would be aware of such problems.

"The odds of the next big collapse—five or 20 or 50 years from now—are not much changed by Dodd-Frank," Mr. Lorne said.

Facebook: Employer settles

CONTINUED FROM PAGE 3

certed activity," and that AMR's blogging and Internet posting policy contained "unlawful provisions, including one that prohibited employees from making disparaging remarks when discussing the company" and another that "prohibited employees from depicting the company in any way over the Internet without company permission."

Sara A. Begley, a Philadelphia-based partner and attorney who focuses on employment law with Reed Smith L.L.P., said that while the settlement doesn't set a precedent, employers should review their electronic usage and social network policies to make sure the language is not so restrictive as to impinge on protected "concerted activity" by employees.

"The message from the settlement is that Facebook postings may be deemed to be 'concerted activity,' especially where an employee is commenting about working conditions, the conduct of supervisors, etc., and other employees are responding or posting their own

comments," Ms. Begley said.

"Any adverse employment action taken against an employee with respect to the same may subject the employer to a complaint by the NLRB or a lawsuit by the employee themselves," she said. "The issue is not necessarily about the mode of communication, but rather the substance and the intended audience."

However, she said not all Facebook "rants" will be protected, noting that malicious conduct such as racist or sexist comments that are tied to the workplace, anti-competitive or disparaging remarks about competitors, disclosure of trade secrets or proprietary information, and defamatory or slanderous comments about co-workers or managers will not be protected.

"There still seems to be a gray area between defamation and disparagement of an employer; and until the NLRB decides that, I think employers should be careful in how they enforce their social media policies," said Eric B. Meyer, Philadelphia-based employment law attorney and associate with Dilworth Paxon L.L.P.

Caucus: Bipartisan panel wins industry accolades

CONTINUED FROM PAGE 4

over the Patient Protection and Affordable Care Act.

The caucus' other co-chair, Rep. Dan Boren, D-Okla., said he often is asked why he, as a Democrat, supports the business community. He said businesses bring jobs to his congressional district, which is among the poorer districts in the nation.

Rep. Goodlatte said he is "very pleased" that the caucus is bipartisan. "It has to be to be effective."

In an interview after the news conference, Rep. Goodlatte said he found it "disappointing" that discussions of defensive medicine during the health care reform debate did not lead to consideration of liability reform as well. As a result, he and other lawmakers looked to see if there was a caucus that dealt with civil justice issues and, upon finding there was not, decided to form the Civil Justice Caucus.

He also said the new Congress "will take a more aggressive" look at tort issues than have the previous two.

The caucus has six members—three Republicans and three Democrats.

A longtime tort reform advocate stressed the importance of the bipartisan approach.

"Hopefully it will be an additional education arm to inform House members about the need for improving our civil justice system," said Victor E. Schwartz, general counsel of the American Tort Reform Assn. in Washington. "It is a nice beginning of bipartisanship." If the caucus gets more Democratic support beyond its

three members, that would generate more bipartisan support for civil justice reform than has existed in the past, he said.

Insurer groups welcomed the caucus' formation.

Establishing the caucus is "an important first step for advancing important tort reform measures that will address abusive lawsuits, which drive up costs for consumers and stifle economic growth," Thomas R. Litjen, vp-federal government relations in the Property Casualty Insurers Assn. of America's Washington office, said in an e-mail.

"We also look forward to working with the caucus to advance legislation that will bring more stability to the medical professional liability insurance market for the benefit of both medical providers and patients," he said.

In a letter to the co-chairs, American Insurance Assn. President and CEO Leigh Ann Pusey said the AIA would support the caucus' efforts. "Specifically, AIA is committed to emphasizing the sanctity of contracts and insurance policies, and highlighting the dangers of 'regulation through litigation,'" she wrote.

Washington-based Public Citizen, the nonprofit consumer organization founded by Ralph Nader, views the caucus differently.

"It seems like the tendency now is to get rid of the tools that protect the public's health and safety," said Christine Hines, consumer and civil justice counsel at Public Citizen. "One is through regulations and the other is through restricting ordinary citizens' access to the civil justice system."



Rep. Goodlatte

Next test for social media policies?

HARTFORD, Conn.—The National Labor Relations Board has another chance to define its stance on employer social media and electronic communications policies through a charge against another Connecticut business.

The Connecticut State Employees Assn. has filed a charge against Student Transportation America Inc., accusing the school bus transportation company of violating federal law by having workplace rules that prohibit "the use of electronic communication and/or social media in a manner that might target, offend, disparage or harm customers, passengers or employees; or in a manner that might violate any other policy."

The allegation by the CSEA, an affiliate of the Service Employees International Union, was filed Feb. 4 against the Stamford, Conn., office of the transportation company.

The Wall, N.J.-based company did not return a call seeking comment.

Unlike the NLRB regional office's complaint against American Medical

Response of Connecticut Inc., where an employee was disciplined and fired for making comments on her Facebook profile, the CSEA made no specific allegations of that sort.

Instead, the CSEA alleges that Student Transportation America violated a portion of the National Labor Relations Act in its employee handbook through provisions that "interfere with, restrain or coerce employees in the exercise of the rights guaranteed."

"I'm not really sure where this case will go yet, and maybe the two parties will work something out, but I could see a formal complaint being filed in this case before long," said Seth Borden, a New York-based partner at McKenna Long & Aldridge L.L.P.'s labor practice, who is not involved with the case.

"There are a cleaner set of facts here than in the AMR case, particularly about the rules that are maintained (in the handbook) and how they violate the NLRA," Mr. Borden said.

—By Jeff Casale

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Chartis: Reserves increased

CONTINUED FROM PAGE 1

classes of business by about \$820 million before the discount. It said various other classes comprise the remaining \$250 million of reserve strengthening.

AIG said the reserve strengthening resulted from a comprehensive review of net loss reserves that Chartis conducts at the end of every year, representing accumulated estimates of reported losses and provisions for incurred-but-not-reported losses, both of which are reduced by applicable reinsurance recoverables and the discount for future investment income, where permitted.

The reserve strengthening amounts to about 6% of the \$63.7 billion of its total general insurance net liability for unpaid claims and claims adjustment expenses, which was reported as of Sept. 30, 2010, according to the insurer.

AIG also said it has entered into a letter of agreement with the U.S. Treasury Department that permits AIG to retain \$2 billion of net cash proceeds from the recently closed sale of AIG Star Life Insurance Co. Ltd. and AIG Edison Life Insurance Co. The proceeds will support Chartis insurance subsidiaries' capital in connection with the loss-reserve strengthening. As a result, AIG said it expects the Chartis insurance companies' statutory surplus to remain largely unaffected.

In response to the announcement, Fitch Ratings downgraded the property/casualty subsidiaries' ratings, including the Chartis units, to "A" from "A+." However, Oldwick, N.J.-based A.M. Best Co. Inc., New York-based Standard & Poor's Corp. and New York-based Moody's Investors Services affirmed their ratings.

Fitch analyst Mark Rouck said the reserve charge "in some respects points out the difficulty of trying to establish reserves" for long-duration, excess casualty lines, for which the company had held large market shares.

There are a lot of "challenges with trying to accurately establish reserves for those businesses," he said.

"We view the development that AIG's taken in the last couple of years as an outlier relative to some of its peer companies, as well as the overall property/casualty industry," Mr. Rouck said (see related story).

New York-based Moody's Vp Bruce Ballentine said, "The reserve charge underscores the challenges that AIG has in this area, with a history of relatively volatile reserves and a history of adverse development."

He added, "We believe that they are changing their business mix to tone down some of those challenging business lines, but it takes time to have that play out,

P/C market excess reserves running low

NEW YORK—The commercial property/casualty insurance industry is likely to run out of redundancies as reserve releases continue and the market remains soft, observers say.

"The reserve position of companies is definitely not as strong as it was a year ago and two years ago," said Bruce Fell, Philadelphia-based director of Towers Watson & Co.'s property/casualty practice in the Americas. "We've seen a lot of reserve releases," and the trend indicates that while reserve redundancies have not yet run out, "they will be running out pretty soon"

New York-based Moody's Investors Service said it believes "commercial lines are break-even to modestly deficient" based on the most recent accident years, although there still may be redundancies for 2003 to 2007, said Senior Vp Sarah Hibler.

James B. Auden, an analyst with Fitch Ratings in Chicago, said, "In the hard market, quite a lot of reserve cushion was built up, and that's eroded significantly over the last several years" and reserving has been less conservative in recent years as well.

"We think the recent years are, at best, adequate," Mr. Auden said. Looking ahead, the issue is "if insurers will shift to a deficient reserve position," he said.

Key Coleman, Devon, Pa.-based managing director at consulting firm LECG L.L.C., said

reserving and the soft market are factors that "impact each other and, ultimately, both impact the markets as a whole."

Thomas Mount, assistant vp of casualty ratings at Oldwick, N.J.-based A.M. Best Co. Inc., said as rates soften, insurers "can't afford to take charges for reserve strengthening," and actuaries may not be adjusting for factors such as softening terms and conditions, which "they can't really monitor that well."

This could lead to business being written at a 65% loss ratio, when in fact "with all those richer benefits that the company was giving away...the loss ratio may be 75 or an 85, and when that happens, reserves are weakening because they are estimating reserves at 65," Mr. Mount said.

Mr. Fell said he believes, however, there has been improvement in techniques that insurers use to evaluate reserves. "If terms and conditions are changing, companies are recognizing, and trying to do a better job of reflecting that, as well as looking at price changes per se" in setting reserves.

Mr. Coleman said one concern is that much reserve development data excludes asbestos and environmental losses. While that could be appropriate in certain instances, "in the future these A&E losses will continue to affect future calendar-year results of the industry."

—By Judy Greenwald

BOOSTING RESERVES

AIG said last week it expects to boost reserves in its Chartis Inc. property/casualty insurance subsidiaries by \$4.6 billion. Here is the breakdown:

- **Asbestos, \$1.3 billion before a discount.** Asbestos coverage has been excluded from AIG policies since 1985.
- **Excess casualty, \$1 billion.** During the fourth quarter of 2010, loss emergence for the excess casualty class significantly exceeded expectations, particularly in recent accident years. AIG has modified its loss development assumptions for recent and older accident years.
- **Excess workers compensation, \$825 million before discount.** Projections in AIG's 2010 year-end loss reserve view indicated these claims continue to develop more adversely than expected, which has led AIG to revise its loss assumptions.
- **Primary (specialty) workers compensation, \$420 million before discount.** Loss emergence for recent accident years has significantly exceeded expectations, and AIG concluded this is being driven by worsening experience. AIG has reduced its net written premiums for guaranteed-cost primary (specialty) workers compensation by almost 70% since 2007.
- **Construction/commercial risk and national account business classes, about \$820 million before discount.** Construction and commercial risks consist primarily of primary workers compensation and general liability coverages.
- **Various other classes of business, \$240 million.**

Source: American International Group Inc.

so this is a credit weakness for AIG relative to other highly rated insurers."

In its report affirming the ratings, Moody's noted that Chartis is placing greater emphasis on consumer segments, multinational business, specialty markets, and accident and health lines, while significantly reducing excess casualty and workers compensation. It has excluded asbestos coverage from its policies since 1985.

While some observers said the

boost had been expected, others were unpleasantly surprised.

"I think a number of people who were watching the loss trends felt that there was still a deficiency in the older reserves," and this had already impacted AIG's stock price, said John Wicher, principal at John Wicher & Associates Inc. in San Francisco. But news of the charge is "rattling for the insurance marketplace, particularly," Mr. Wicher said.

AIG's stock closed at \$41.63 Friday, up \$1.63 for the week.

Cathy Seifert, an equity analyst with S&P, said the reserve boost is a continuation of a "two steps forward, one step back" trend at AIG. "The successful sale of more assets is offset by the need to bolster reserves, and I think this is continuing the trend that, quite frankly, I've seen for a while," she said.

S&P analyst Steven Ader said the charge "raises concerns regarding overall risk controls when you consider enterprise risk management, but we felt these concerns at this point were not sufficient enough to change our view of prospective operating performance."

Mr. Ballentine said a significant drop in excess casualty and workers comp premiums, restructuring activities and more emphasis on risk management, with some new individuals overseeing the reserving process, "should eventually improve their reserving pattern," although "that's going to be a gradual process."

But the charge also "creates, in some ways, more concern," said Cliff Gallant, an analyst with Keefe, Bruyette & Woods Inc. in New York.

"They've taken several swipes at these old accident years, and they clearly have trouble getting the number right" in setting reserve levels, although "their competitors seem to be able to do it, so why can't AIG? It's a worry," he said, pointing to 2009's \$2.3 billion boost in reserves.

The fact that AIG "can't get the old years right" raises "the question of their ability to get the recent years right," during a period when insurance products are being aggressively priced, Mr. Gallant said.

Supplements: Appetite for risk changes

CONTINUED FROM PAGE 3

Admiral Insurance, which has been underwriting nutraceutical policies for 10 years, looks at manufacturers' websites for extreme marketing claims or aggressive statements about the products' effectiveness.

"What we worry about are really aggressive statements that would lead a buyer to believe categorically that it's going to work," Mr. Fletcher said.

After the ephedra ban, insurance claims have declined as nutraceutical companies responded to insurers' concerns, observers said. Insurers report they have sold more policies and policyholders are comfortable assuming higher retention levels because of low claim activity.

"Our renewals over the last several months have been pretty positive from a client's standpoint," said Jim Walters, managing director of Aon Risk Solutions' life sciences and chemical group in Philadelphia. He said renewal pricing has been stable to decreasing for several months.

"The insurance market has come back pretty strongly; and actually, there are some new entrants in that world that, frankly, have made our placements in the last year or so actually a little easier than they have been," Mr. Walters said.

Lexington Insurance Co. reentered the nutraceutical insurance market in 2009 after taking some ephedra-based losses following the 2004 scare, said John Parente, senior science adviser for Lexington in Boston.

"As the ephedra scare waned and people became a little more comfortable with (nutraceuticals), capacity has grown and the rates have actually come down," Mr. Parente said.

Nutraceutical companies are adopting good manufacturing processes and focusing on an "improved health perspective," said Marsh's Ms. Bouman. "Clients try to work their product in great detail," refining and researching products to achieve accuracy, she said, which helps the underwriter considerably.

"If the industry continues to monitor itself, refine its products and distribution methods," insurance pricing and capacity should follow, she said.

"The most successful companies with whom we work with in this area in particular are the ones that communicate and help the underwriters identify what the risks are, then what controls they put into place to deal with those," said Wells Fargo's Mr. Daly.

The challenge for underwriters is "to make sure that they have enough acumen to underwrite a really dynamic industry," Mr. Fletcher said.

Comp: States eye changes

CONTINUED FROM PAGE 1

an injury.

That led Illinois Gov. Pat Quinn's senior staff to meet last week with Democratic and Republican legislators to launch negotiations about what should be included in a workers comp reform bill, a spokeswoman for the governor said.

Meanwhile in Montana, Jon Bennion, government relations director of the Montana Chamber of Commerce in Helena, said he expects employers to gain a comp reform law this year.

Last week, Republicans in the Montana House of Representatives provided the votes to approve a second reading of H.B. 334 on the House floor over Democrats objections.

"A lot of the Republicans want to take a pretty aggressive approach to cutting workers compensation costs and they have significant majorities in the House and Senate," Mr. Bennion said.

H.B. 334, sponsored by Rep. Scott Reichner, R-Bigfork, is the preferred bill for meeting their goals, Mr. Bennion said.

Among other changes, the bill would end medical benefits for most permanent partial disability claims five years after an injury, allow insurers to designate a physician for injured workers and require applying the sixth edition of the American Medical Assn.'s "Guides to the Evaluation of Permanent Impairment."

Labor, claimants attorneys and Democrats say the bill is harsh on injured workers, and it would have to win the signature of Gov. Brian Schweitzer, a Democrat who

reportedly expressed opposition.

Still, Mr. Bennion said significant reforms would emerge.

"Even if (H.B.) 334 doesn't survive in its current form, one way or another we will see workers comp reform from this legislature and the governor" because Montana is an expensive workers comp state, Mr. Bennion said.

Also last week, Oklahoma Gov. Mary Fallin challenged legislators during her State of the State address to craft reform legislation that would reduce legal and medical costs while returning injured employees to work sooner.

The Republican governor and the Republican leadership of Oklahoma's House and Senate—both of which recently added Republican members—want workers comp reforms this year, said Mike Seney, senior vp of policy analysis for the State Chamber of Oklahoma in Oklahoma City.

More than 30 workers comp bills have been introduced in Oklahoma, but "I'm not sure yet which ones are going to be moving forward," said Mr. Seney.

Among other measures, the Chamber wants the Oklahoma Workers' Compensation Court replaced by an administrative system that would encourage mediation or settlement discussions before litigation, Mr. Seney said.

It also wants increased use of established treatment guidelines and legislation that would, through marketing, encourage employers to use certified medical plans, which are preferred provider organizations under Oklahoma's workers comp system, Mr. Seney said.

In Kansas, meanwhile, the

House Committee on Commerce and Economic Development heard H.B. 2134 last week. The bill, sponsored by the committee, represents compromises between labor and business.

Under the bill, injured workers would gain increased maximum benefit caps that have not been raised since 1993, said Larry Karns, an attorney at Glenn Cornish Hanson & Karns in Topeka, Kan., who represents several employer groups including the Kansas Self-Insurers Assn.

A cap on permanent partial disability awards, for instance, would be increased to \$130,000 from \$100,000, death benefits would rise to \$300,000 from \$250,000, and a permanent total disability benefits cap would jump to \$155,000 from \$125,000.

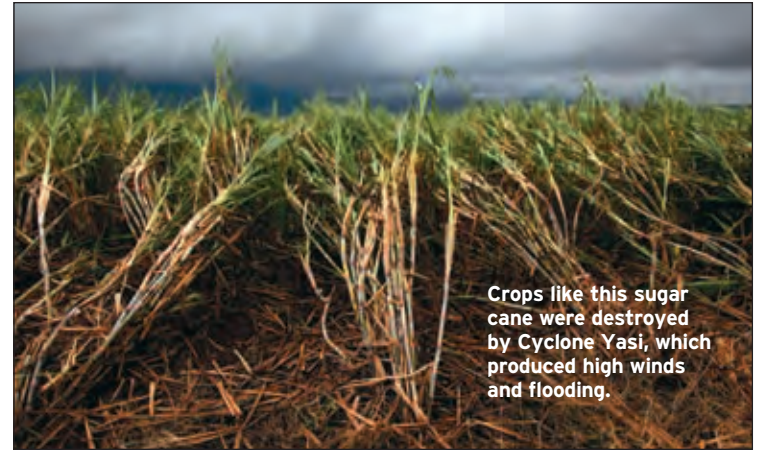
The bill would address court decisions that hold employers responsible for post-injury wage losses even where the wage loss is due to an employee retiring, quitting or being fired. Under H.B. 2134, wage loss would have to be tied to the injury.

The bill also would increase the threshold for determining when an injury arises out of the scope of employment.

"We are hoping that will have a net effect of reducing claims in the system," said Mr. Karns.

Additional proposals to revamp workers compensation laws could emerge in even more states this year because of recent political shifts, said Keith Bateman, vp of workers compensation at the Des Plaines, Ill.-based Property Casualty Insurers Assn. of America.

But it remains too early to say whether more states will embrace reforms this year. Priorities, such as addressing budget shortfalls, will come first, Mr. Bateman said.



Crops like this sugar cane were destroyed by Cyclone Yasi, which produced high winds and flooding.

REUTERS/LANDOV

Yasi: Cat losses increase

CONTINUED FROM PAGE 4

IAG said its losses from floods in Queensland and northern New South Wales likely would be between \$110 million Australian (\$111.6 million) and \$130 million Australian (\$131.8 million), while losses from severe weather in Victoria likely would be between \$25 million Australian (\$25.4 million) and \$40 million Australian (\$40.6 million).

Australian insurers last week provided further details of their reinsurance programs to protect against catastrophe claims.

QBE said expected claims from the this year's flooding would fall within the allowances for large risk and catastrophe claims. For worldwide catastrophes, QBE said it had a single layer of reinsurance coverage of \$1.3 billion in excess of a \$200 million retention and total coverage of \$2.6 billion for 2011.

QBE said it had purchased additional high-level reinsurance catastrophe coverages for Australia and New Zealand and that its captive reinsurer, Bermuda-based Equator

Reinsurances Ltd., had purchased catastrophe protection of \$100 million in excess of \$100 million.

IAG said it had in place a catastrophe reinsurance program that covers losses from \$250 million Australian (\$253.6 million) up to \$4.1 billion Australian (\$4.16 billion). It said it had a three-year agreement that reduced its maximum event retention for a first event to \$150 million Australian (\$152.1 million), and additional coverage that reduced the maximum event retention to \$125 million Australian (\$126.8 million) for a second event and \$50 million Australian (\$50.7 million) for a third event.

The insurer also said it had an aggregate cover of \$150 million Australian, in excess of \$150 million Australian, that would provide protection from accumulated losses from events greater than \$15 million Australian (\$15.2 million).

Meanwhile, bushfires in western Australia were declared "an insurance catastrophe" by the Insurance Council of Australia last week, but no loss estimates were released.

Solvency: Competition concerns

CONTINUED FROM PAGE 3

panies can stand back and think what Solvency II actually means for them," he said.

According to PwC's research, nonlife insurers could see significant capital increases under Solvency II in its current form, Mr. Howe said. This may change companies' appetites for the sort of business they underwrite, he said.

If some lines of business are deemed to be too capital-intensive, insurers may seek to engage in M&As or try to diversify their books of business by acquiring portfolios of business, he said.

Dublin-based Beazley P.L.C. also said it expects increased M&A prospects as a result of Solvency II.

Martin Bride, Beazley's group finance director, said the company is "alert" to potential acquisitions or growth prospects as other companies struggle with Solvency II's demands.

He said Beazley would spend

Still time to alter captives rules: Experts

BRUSSELS—Captive insurance company owners and managers still have time to influence the shape of Solvency II, the risk-based capital regulatory regime slated for introduction in 2012, experts say.

Results of the fifth quantitative impact study, a test that was run last fall to identify issues and potential impacts of Solvency II rules, will be published in March by the European insurance regulator, the European Insurance and Occupational Pensions Authority.

QIS 5 simplified the ways captives would be treated under Solvency II, provided they met certain criteria. Those criteria include having all beneficiaries of the captive being legal entities of the captive parent's group and that insurance obligations of captives that

directly write coverage not be related to compulsory third-party liability coverage.

But the exercise still was extremely onerous for captives and akin to "using a sledgehammer to crack a nut," said David O'Connor, a senior consultant at Towers Watson & Co. in Dublin.

He said the model for QIS 5 was very complex and not suited to captives, which typically have fairly simple business models and capital requirements.

Mr. O'Connor said he believes captives would benefit from an "extreme simplification" of their capital requirements under the eventual rules laid down by Solvency II.

He said captive owners and managers still have time to lobby the European Union to

seek changes.

Pierre Sonigo, director general of the Brussels-based Federation of European Risk Management Assns., recently wrote to risk managers in Europe on the subject of QIS 5 and Solvency II's treatment of captives.

He said FERMA would await detailed feedback from EIOPA on the QIS 5 exercise before deciding how best to direct its efforts to ensure that captives are treated fairly and in proportion to their size and complexity under Solvency II.

He said, however, that based upon a sample of captives from Dublin and Luxembourg that took part in QIS 5, about 13% of captives likely would be deemed insolvent under Solvency II rules.

—By Sarah Veysey

£4.6 million (\$7.4 million) over three years to prepare for Solvency II.

He said opportunities for

growth may come within the next two years, as companies realize the impact of Solvency II on their business.

Recent developments may mean that companies have longer to prepare for certain aspects of Solvency II, according to sources.

In January, the European Commission published proposed revisions, known as Omnibus II, that would give more time for various Solvency II rules to be fully adopted.

Omnibus II, which is being considered by the European Parliament and Council of the European Union, would phase in certain Solvency II requirements.

For example, Standard & Poor's Corp. said in a briefing note that the rules on governance requirements under Solvency II would be phased in over three years, while the rules on valuation of assets and liabilities would be phased in over as long as 10 years, among other changes.

S&P said it believed that Omnibus II "would significantly mitigate potential market disruption that might occur without these revisions."

"We believe that most insurers will welcome the proposals because they would allow them more time to adapt to the full rigors of Solvency II," S&P said.

Naren Persad, a senior consultant at Towers Watson & Co. in London, said the Omnibus II proposals would enable the European Commission to "finesse transition" to Solvency II and to manage any issues that arise from QIS 5 results, among other things.



Woman arrives for impromptu meeting with insurance agent

The "Mythbusters" television program has shown that lightning can strike twice in the same location, something a Tampa Bay, Fla., insurance office might keep in mind for the future.

For the third time in 10 years, a car crashed into the Adrian Fernandez Insurance office in Tampa Bay, the St. Petersburg Times reported. This time though, it involved a car insured by the local company.

When Tampa Fire Rescue crews arrived at 8:30 p.m. on Jan. 30, they found a Saab sedan had crashed into the concrete block building after the driver lost control of the vehicle, according to reports.

The woman who was driving the car suffered minor injuries, but a 4-year-old boy who also was in the vehicle was not injured, according to reports.

Mr. Fernandez, who arrived on the scene after being notified of the incident, reportedly told rescue crews that he is the insurance agent for the owner of the car.

Business Insurance END PAGE

Contributing: Jeff Casale, Mark A. Hofmann, Joanne Wojcik



PRWEB

Hanna Mandelbaum, left, and Alison Wiener, creators of Evermore Pet Food Inc., say they will eat their own product every day for a month.

Dog food makers chow down

A lot of dogs eat table scraps, but it's a safe bet that not many people serve dog food at the table.

But according to the New York Daily News, a pair of intrepid entrepreneurs is going to do just that as part of their rather unusual product safety testing program.

According to the newspaper, two Brooklyn women—Hanna Mandelbaum and Alison Wiener—created Evermore Pet Food Inc. a year ago. They promise that the food—which sells for \$12 to \$15 per 1.5 pound container—is fit for human consumption.

And to prove that, the two women will eat their own special dog food every day for a month starting March 1.

"Every ingredient is fit for human consumption," Ms. Mandelbaum told the Daily News. "A lot of pet foods will say they are human grade, but none of these companies is going the extra mile to prove it."

Ms. Mandelbaum said there are no "mystery meats" in the dog food, which comes in chicken and beef varieties.

"There are no parts you wouldn't recognize. There is total accountability in our supply chain," she said.

Cupid gets busy in the office

As Michael Scott's romantic escapades on the popular TV series "The Office" illustrate, the workplace is becoming the "meet market" of the 21st century.

The 7th annual "Office Romance Survey" by the Vault found that 59% of workers admitted to having participated in some form of office romance, whether it was a one-night stand, a casual relationship, a long-term commitment or all of the above.

"Good economy or bad economy, we spend more than half of our day at work and those same colleagues are often invited to socialize after work, creating opportunities to blur from professional to personal," said Jason Levin, a career expert at the New York-based job placement firm.

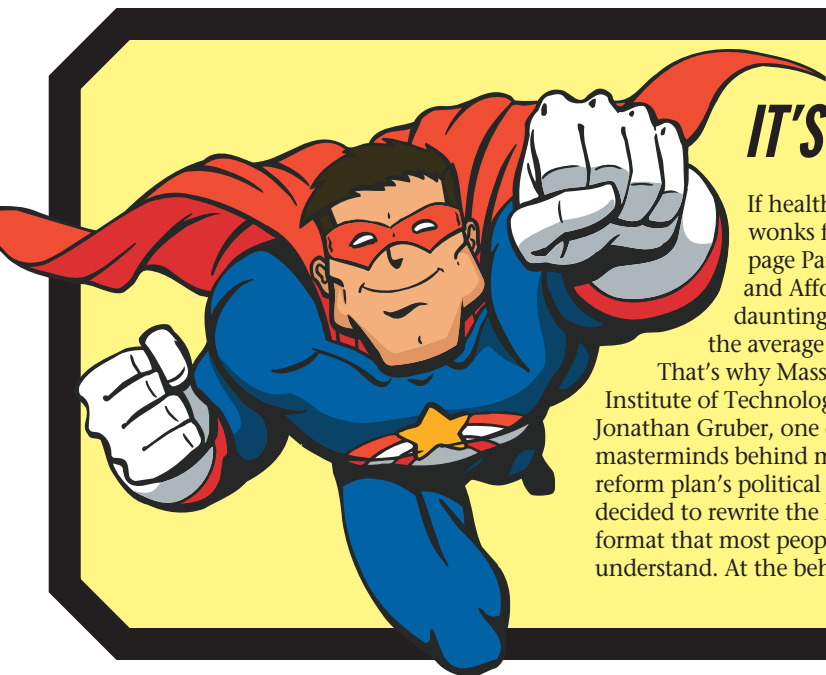
But Cupid may not always be a welcome guest in the cubicle, the survey also found.

Thirty-one percent of employees responding to the 2011 survey said coworkers' intra-office romantic relationships made them feel "uncomfortable." Thirty-eight percent said they felt their co-workers were using romance as a means to climb the corporate ladder.

"Whether that's OK or not depends on the people involved. Your reputation in and out of the office could be in serious jeopardy depending on how each party handles the end of the relationship," Mr. Levin said. "Those involved need to go into this type of relationship with both 'eyes open,' knowing the risks and having a plan to deal with an office romance if it goes sour."

Vault's survey, conducted in January, includes responses of 2,083 employees in various U.S. industries that were split almost equally among gender and age lines, although slightly skewed toward 25- to 30-year-olds.

For more results from the office romance survey, visit www.vault.com.



IT'S A BIRD, IT'S A PLANE, IT'S...HEALTH CARE REFORM!

If health care policy wonks found the 2,409-page Patient Protection and Affordable Care Act daunting, imagine how the average person feels.

That's why Massachusetts Institute of Technology economist Jonathan Gruber, one of the masterminds behind much of the reform plan's political rhetoric, has decided to rewrite the legislation in a format that most people will understand. At the behest of his three

children, Mr. Gruber is writing a graphic novel—a comic book aimed at an adult audience—breaking down the behemoth bill into bite-size morsels.

But don't expect to see President Barack Obama depicted as a "caped crusader" taking down the evil health insurance industry. Unlike most comic books, Mr. Gruber's won't have a superhero or a villain.

"I'm going to use the facts to tell the story," Mr. Gruber recently told the Boston Herald. He said he will serve as the narrator "guiding the reader

through the law." But it will have "lots of pictures," he promised.

The book, tentatively titled "Health Care Reform: What it is, Why it's Necessary, How it Works," is slated to be published this fall by Hill & Wang.

Mr. Gruber's editor at Hill & Wang, Thomas LeBien, also used graphic novels to explain the Sept. 11, 2001, terrorist attacks. "The 9/11 Report: A Graphic Adaptation" was an immediate hit in the trade and educational markets after it was published in 2006.

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A LOT OF THINGS CAN HAPPEN IN A MAJOR STORM.
WE MADE SURE THIS DIDN'T.

SWELL'S SEAFOOD RESTAURANT



Catch of the Day:
Sea Bass
BEEF

When our customer's frozen seafood warehouse was hit by a major storm, it sustained significant roof damage and lost power. Jeopardizing not only the inventory, but the restaurants that depend on it. So while other companies were still assessing the storm's impact, our claims experts were already arranging for repairs and securing refrigerated trucks plus fuel, to preserve the fish. Whether it's responding quickly, keeping you informed, or paying your claims in a timely fashion, we're committed to helping you protect your business before and after adversity strikes. That's our policy. For more information, contact your broker or agent or visit libertymutualgroup.com/property.

