

Business Insurance

\$5

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AT RENEWALS / PAGE 3**



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STEFAN LIPPE TAPPED
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HIGHLIGHT LITTLE-BOUGHT
COVERAGE / PAGE 3**

In Brief

U.K. agency to investigate AIG Financial Products

The U.K.'s Serious Fraud Office said it has launched a preliminary inquiry into the operations of AIG Financial Products Corp., a subsidiary of American International Group Inc., to determine whether there has been criminal conduct. The SFO said it was cooperating with U.S. authorities and the U.K. Financial Services Authority. "SFO's inquiry does not concern the insurance operations of AIG in the U.K. or elsewhere," it said. New York-based AIG said in a statement that it will "cooperate fully" with the SFO. AIG Financial Products' activities in the credit default swap market are blamed for the near-collapse of AIG.

Delta policy covered Continental crash

A Continental Airlines regional

See **IN BRIEF** page 25

SPOTLIGHT

SPECIALTY RISKS

Corporate jet coverage costs continue to decline despite decrease in usage; museums find creative ways to lower premiums as worries over the economy take hold; insurance plays major role in managing stunt risks of movie productions; cover for cash-in-transit risks stays competitive but changes expected if recession leads to more crime. **PAGE 11**

Lawmakers ready regulatory changes

Bill would create national guaranty fund

By **MARK A. HOFMANN**

WASHINGTON—Supporters of an optional federal charter for insurers are praising the latest proposal for a system of federal regulation, but detractors are saying the "optional" has been removed.

Reps. Melissa Bean, D-Ill., and Ed Royce, R-Calif., outlined their proposed National Insurance Consumer Protection and Regulatory Modernization Act last week. Although the actual language of the bill, which could be introduced as early as this week, remains unknown, the measure appears to build on previous bills introduced by Reps. Bean and Royce to create a system of optional federal charters for insurers and producers. According to an outline of the legislation provided by the sponsors, the bill would "establish a national system of regulation and supervision for nationally registered insurers, agencies and producers....States would still maintain

responsibility for regulating state-licensed insurers, agencies and producers."

A new section of the legislation would create an office of national insurance, which would set guidelines for national insurers and over-

see their financial and market conduct. In addition, the bill would create a national guaranty corporation for national insurers if a "state guaranty association does not provide policyholders a level of protection equivalent to the NAIC model standards," according to the outline, referring to standards set by the National Assn. of Insurance Commissioners.

The bill would also create a new systemic risk regulator to monitor insurers. This new regulator would consult with the office of national insurance on a number of issues, including determining the most effective form of functional regulation for "systemic-



Reps. Melissa Bean, D-Ill., (above) and Ed Royce, R-Calif., outlined their proposed National Insurance Consumer Protection and Regulatory Modernization Act last week.

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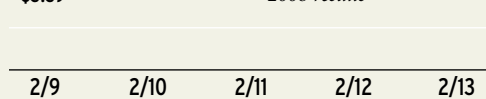


XL CEO Michael S. McGavick says the insurer will remain independent.

REBOUND

XL's stock price rallied last week

XL stock fell below \$3 early last week...
...but leapt after it released its 2008 results



Source: Yahoo! Finance

XL reports huge loss, but outlook brightens

Analysts say insurer getting back on track after trying period

By **JUDY GREENWALD**

HAMILTON, Bermuda—XL Capital Ltd. reported big losses for 2008's fourth quarter and the full year, but analysts say its property/casualty operations remain strong, and they point to signs that XL may have put its major balance sheet problems behind it.

Concerns arose last year about XL's future amid large losses and ratings downgrades, and speculation about a possible selloff or outright sale emerged following XL's December disclosure that it had hired New

York investment banking firm Goldman Sachs & Co. to assist in an exploration of "value-enhancing opportunities" (BI, Dec. 15, 2008).

But XL's efforts to address its problems seem to have largely allayed those concerns.

"They've taken the cure and they're mending," said John Wicher, principal of San Francisco-based John Wicher & Associates Inc.

Hamilton, Bermuda-based XL's investment losses and goodwill charges led to a \$2.55 billion loss for 2008, compared with \$275.9 million in net income for 2007. In addition, in reporting its fourth-quarter results, the insurer and reinsurer said it plans to trim around 10% of its

See **XL** page 22

Employers prepare for surge in COBRA enrollees

By **JERRY GEISEL**

WASHINGTON—Employers will have to scramble to comply with federal legislation providing a federal subsidy of COBRA health insurance premiums to laid-off employees.

Employees who were laid off from Sept. 1, 2008, through Dec. 31,

2009, will be eligible for a 65% federal subsidy of their COBRA premiums under provisions in the massive economic stimulus bill.

The House on Friday gave final approval to the legislation, H.R. 1, and the Senate was expected to pass the bill Friday evening or during the weekend.

Beneficiaries would be entitled to the subsidy for up to nine months or until becoming eligible for coverage in another employer's plan or for Medicare. The subsidy, though, would not be available to individuals with annual incomes exceeding \$125,000 or couples with annual incomes exceeding \$250,000.

The subsidy, estimated to cost the federal government nearly \$25 billion a year, could help up to 7 million jobless individuals and their families maintain health care coverage, according to an estimate by the Joint Committee on Taxation.

With the subsidy resulting in beneficiaries paying about one-third of the COBRA premium that

often has a monthly cost of about \$400 for individual coverage and \$1,200 for family coverage, employers with lots of laid-off employees should expect a surge in enrollees.

COBRA FAQ:
Read all the details on how the COBRA subsidy will work.
PAGE 24

"The takeup rate is going to skyrocket," said Andy Anderson, of counsel with law firm Morgan, Lewis & Bockius L.L.P. in Chicago.

COBRA often is a big money-loser for employers. Due to the high cost of coverage, those now opting for COBRA typically make extensive use or expect to use medical services. As a result, it is not uncommon for employers to pay out \$1.50 in claims for every \$1 in COBRA pre-

See **COBRA** page 24

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AON RISK SERVICES

On the Web

BI AUDIO

Expanded Greg Case Q&A in online podcast

Greg Case, president and chief executive officer of Chicago-based Aon Corp., received St. John's University's Insurance Leader of the Year award in January. An expanded version of his Page 4 interview with *Business Insurance* Editor Regis Coccia is available at www.BusinessInsurance.com/QandA. To hear a podcast of the complete interview, go to www.BusinessInsurance.com/audio.

BI GALLERY

New slide show features Art Loss Register

In a new audio slide show, Julian Radcliffe, chairman of the



London-based Art Loss Register, describes how the database operates as an online searchable clearinghouse

for lost and stolen art and collectibles. To see and hear more, go to www.BusinessInsurance.com/gallery.

AIG RECOVERY FIGHT

Online coverage includes asset sale updates

Business Insurance continues its online coverage of global insurer American International Group Inc. The package includes up-to-date coverage of AIG's ongoing asset sale, along with regular daily updates and more. Go to www.BusinessInsurance.com/AIG.

BI CAREER CENTER

Find a new career with online tools

Business Insurance's Career Center is designed to deliver new career opportunities with the same specialization and quality that *BI* delivers news and information. Go to <http://careers.BusinessInsurance.com>.

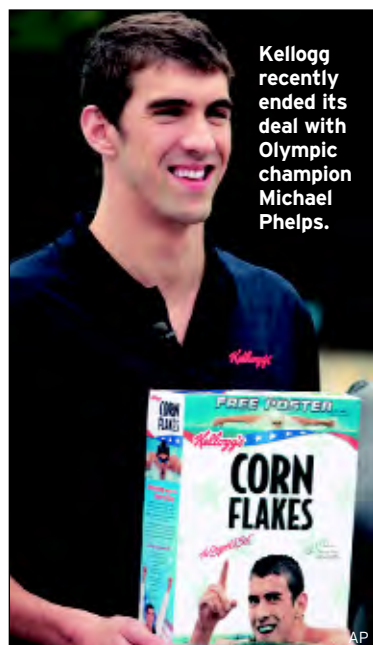
Business Insurance®

REPORTING ON CORPORATE RISK AND EMPLOYEE BENEFIT MANAGEMENT NEWS

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Few cover losses from dropped endorsements

By ROBERTO CENICEROS



Kellogg recently ended its deal with Olympic champion Michael Phelps.

Few corporations insure against the risk that sports stars and entertainers endorsing their brands could misbehave and disgrace an advertising campaign built around the celebrity's image.

The coverage is expensive and an arduous underwriting process often discourages deals, brokers and insurers say.

Yet Olympic swimmer Michael Phelps' and R&B singer Chris Brown's recent troubles show that moral turpitude risk is growing, several insurance sources said. It's growing because embarrassing images of stars now spread faster than ever with everyone carrying a camera, easy Internet distribution and more media outlets hungry for celebrity gossip.

"There are tons of media sites chasing celebrities now, often looking for them in their worst light...constantly looking for something that will be a headline, controversial and drive traffic to their Web sites and publications," said Bill Hubbard, chairman of HCC Specialty Underwriters Inc., a Wakefield, Mass.-based sports and entertainment company.

The enhanced risks are passed along to corporate sponsors, added Alex Fairly, a sports and endorsement expert and producer in Amarillo, Texas, for Willis HRH.

"Not only is it so easy to catch people doing things that might be embarrassing, but now in two minutes the whole world has it," Mr. Fairly said.

Mr. Phelps, the winner of a record eight gold medals in the 2008 Sum-

mer Games, learned of the consequences when a British tabloid published a photo of him using a marijuana pipe. The swimmer quickly apologized for his behavior.

Battle Creek, Mich.-based Kellogg N.A. Co. said the swimmer's conduct is inconsistent with its image and it would not renew his contract. Mr. Phelps' image had been on boxes of Kellogg's Frosted Flakes and Corn Flakes.

In Chris Brown's case, media reports said he may have assaulted Rihanna, his girlfriend and fellow performer, while in Los Angeles. The two did not make their scheduled appearances at the 2009 Grammy Awards.

Last week, Wm. Wrigley Jr. Co. dropped Mr. Brown from its adver-

See **ENDORSEMENTS** page 6

Swiss Re replaces CEO after loss, capital boost

New chief Lippe seen aiding return to business basics

By MICHAEL BRADFORD

ZURICH, Switzerland—As the new chief executive officer of Swiss Reinsurance Co. takes over, his key challenge will be steering the reinsurer closer to its traditional business model while maintaining its image as an innovative provider of risk-financing solutions, analysts say.

Jacques Aigrain tendered his resignation earlier this month after Swiss Re's preliminary announcement that it expects a loss of 1 billion Swiss francs (\$876.2 million) for 2008 and said it would raise 3 billion Swiss francs (\$2.60 billion) from Warren Buffett's Berkshire Hathaway Inc. to bolster its surplus capital. Swiss Re formally reports its earnings Feb. 19.

Stefan Lippe, the Zurich-based reinsurer's deputy chief executive officer and chief operating officer, was named to succeed Mr. Aigrain.

Analysts say the writing was on the wall for Mr. Aigrain, given the size of Swiss Re's losses.

"It was expected that Mr. Aigrain would step down sooner or later," said Georg Marti, an equity analyst with Zürcher Kantonalbank in Zurich.

"There had been a lot of pressure on his position in recent months," said an analyst who asked not to be named.

Swiss Re clients, investors and brokers now are focused on how Mr. Lippe will attempt to steer the reinsurer out of its financial difficulties.

"For the time being, it will be very tough for the new CEO to change the business," said Mr. Marti. "The risk exposure is still there and he has to manage it somehow."

Mr. Lippe's appointment "is certainly a positive development in light of the situation at Swiss Re and how the market views the company," said Neal Enriquez, an analyst with Oldwick, N.J.-based A.M. Best Co. Inc.

"He is a 25-year veteran and a home-grown, traditional reinsurance underwriter, and I believe that is the direction the company is going to go," Mr. Enriquez said.

Swiss Re has been looking to revert to a more traditional business model and Mr. Lippe's appointment could accelerate that move, said the analyst who asked not to be identified.

The analyst pointed out, however, that Swiss Re would be ill-advised to focus entirely on its core reinsurance business at the expense of all other less traditional

operations.

The company was, for example, seen as a market leader in transforming insurance risk into capital-market products. "We viewed that positively," the analyst said, and such initiatives that have had positive long-term benefits for the reinsurer probably should not be abandoned.

Mr. Lippe's more than two decades with Swiss Re have included positions such as CEO of the reinsurer's Bavarian Re Group. In 2001, he was appointed head of Swiss Re's worldwide property/casualty business and in 2005 was named to lead property/casualty and life and health underwriting.



Stefan Lippe has been named to succeed Jacques Aigrain as CEO of Swiss Reinsurance Co.



P&I clubs cite claims, losses for hiking rates

By ZACK PHILLIPS

Protection and indemnity club renewals are dragging out slightly longer than usual this year as clubs ask ship owners for sizable rate increases to combat investment losses and high claims in recent years.

A half dozen clubs have also made unbudgeted calls for additional premium from previous policy years.

The 13 clubs in the International Group of P&I Clubs have announced an average general increase of 16.5% over last year's rates and all clubs are seeking double-digit rate increases, according to a December report from Willis Group Holdings Ltd.

These increases, coupled with a downturn in global trade that has made sizable cuts in ship owners' income, have made for tough negotiations in advance of the Feb. 20 renewals, club owners and observers say.

Henric Gard, director of the Göteborg, Sweden-based Swedish Club, said last week that about 80% of the club's accounts had renewed. Jeremy Grose, chief operating officer of the London-based Standard

Steamship Owners' P&I Assn. Ltd., said the club had renewed about 50% of its accounts.

"The clubs are in many cases firmer in their requirements and the members are in many cases more determined...to keep their costs down," Mr. Grose said. "The increases have been set quite high. I'm not 100% convinced clubs have been able to achieve those increases across the board."

The increases are slightly higher than last year, when P&I clubs sought a 16.2% increase on average, and much higher than the average single-digit rate increases sought in the previous three years. Observers say the hard pricing is driven by unfavorable claims experience and dramatic investment losses since last fall.

Investment losses in the last few months have erased nearly all of some clubs' investment gains from the past three to five years, according to a report released last week by Standard & Poor's Corp. That report said most clubs lost about 30% of free reserves in investment losses since October 2008, and some clubs

See **SHIPPING** page 21

Wells Fargo completes addition of ABD, turns to Wachovia

Brokerage reworks structure, exec teams in integration effort

By SALLY ROBERTS

CHICAGO—After taking more than 15 months to integrate Redwood City, Calif.-based ABD Insurance & Financial Services Inc., Wells Fargo Insurance Services Inc. now is facing the task of integrating much larger Wachovia Insurance Services Inc.

WFIS executives said last week that they are optimistic about the opportunities both mergers offer the Chicago-based middle-market brokerage and say they are committed to remaining client-focused during the integration process.

Observers said that while Wachovia Insurance may be different culturally from WFIS, the fact that it was bank-owned before should make integration a little easier.

Other issues, however, including retaining key talent, remain a challenge for WFIS going forward, they say.

After battling Citigroup Inc. last October, San Francisco-based banking giant Wells Fargo & Co. eventually proceeded with its roughly \$12 billion all-stock deal to acquire Charlotte, N.C.-based Wachovia Corp., which fell victim to the ongoing financial crisis (*BI*, Oct. 13, 2008).

That transaction was consummated at the end of 2008 when WFIS completed its 15-month integration of ABD.

Executives now are integrating

Wachovia Insurance, a process that has begun "in earnest," said David Zuercher, chairman, president and chief executive officer of WFIS.

WFIS announced late last month a new management team and regional structure for the combined firm.

WFIS' new senior executive and management teams are a mix of former WFIS, ABD and Wachovia Insurance professionals, including Bruce Basso and Fred de Grosz, former co-chairs of ABD who now are vice chairs of WFIS, and John Cay, former chairman of Wachovia Insurance, who is



The process of integrating Wachovia has begun "in earnest," said David Zuercher, chairman, president and chief executive officer of Wells Fargo Insurance Services Inc.

now a senior executive at WFIS.

Anne Doss, who last August was named managing executive in charge of running Wachovia Insurance, was named head of WFIS' sales strategy and partnerships, with responsibility for the brokerage's bank cross-selling initiatives. WFIS executive Scott Isaacson was named executive vp and chief marketing officer. WFIS executive Deb Broderick was named

executive vp and operating officer of the combined firm.

In addition to a new management

team, WFIS also announced that the brokerage now will operate out of 15 small regions rather than five large regions. The new regional structure allows managers to be more closely aligned to the customers and the sales strategies of their particular regions, Mr. Zuercher said.

As the integration process continues Mr. Zuercher said there "could likely" be some job cuts due to some overlapping offices and positions at the two firms.

And while he acknowledged cultural differences between Wachovia Insurance and WFIS, the firm is trying to remain focused on delivering insurance products to clients rather than on those differences.

And as far as clients are con-

See **WELLS FARGO** page 26

Questions Answers

After nearly four years as president and chief executive officer of Chicago-based Aon Corp., Greg Case last month was honored by St. John's University as Insurance Leader of the Year. The award recognized his leadership in streamlining Aon's operations as a global brokerage. Mr. Case spoke recently with Business Insurance Editor Regis Coccia.



CEO makes Aon's case

What are you proudest of over the past four years?

I came to Aon with very high expectations and particularly around the fundamental capabilities that I knew Aon had, and had built up well before Greg Case ever arrived on the scene, and I would tell you my high expectations were exceeded. The fundamental capability that Aon possesses is

delivering operational excellence—are what's going to drive Aon. If we were in a baseball game, we're in the second or third inning at best in terms of what we're able to do with the caliber of the team and the capabilities we've got. Just think about 2008 and the repositioning and focusing of Aon. Managing, measuring, understanding risk is central to the emergence out of the current economic crisis, but if you think about it, Aon has made perhaps the biggest bet in the history of risk on risk....Aon is squarely focused on risk and human capital, two issues we believe are paramount in the global economy.

How does Aon serve clients in the middle market, which may have different risk profiles from large global clients?

Often times, because Aon happens to be a global firm, there's a view that we're only about global clients or big clients, and it's quite the contrary. Our focus historically, 80% of what Aon does, is around serving firms that are more middle sized—not necessarily global—or smaller. The stakes

See **CASE** page 25

Ohio drops lead paint cleanup lawsuit

New attorney general ends effort to compel paint makers to pay

By MARK A. HOFMANN

COLUMBUS, Ohio—Business groups are praising Ohio's decision to drop a suit that it brought against lead paint manufacturers in an effort to force them to pay for the abatement of lead paint statewide.

Attorney General Richard Cordray said he voluntarily dropped the case—*State of Ohio vs. Sherwin-Williams Co. et al.*—earlier this month. His predecessor, Marc Dann, brought the public nuisance suit in April 2007 and amended the complaint later that year.

The amended complaint, which

was filed in Franklin County, Ohio, Court of Common Pleas, accused Sherwin-Williams Co., nine other named defendants and an unknown number of "John Doe corporations" of creating a public nuisance by manufacturing and using lead-based paint despite knowing of its potentially harmful effects.

Among other things, the complaint sought to have the defendants "detect and abate lead in pigments, coatings and/or paint in all residences, schools, hospitals, and all public and private buildings within the state accessible to children" and to pay all costs—including attorney fees—that the state incurred in its investigation and prosecution of the case. The complaint also sought a jury trial.

However, Mr. Dann resigned in May 2008 while facing possible

impeachment over an extramarital affair with a staffer. Mr. Cordray was elected to succeed him last November.

"I understand and strongly agree that exposure to lead paint is a very real problem," Mr. Cordray said in a statement about his decision to drop the suit. "But I also know that not every problem can be solved by a lawsuit."

The statement added that "after assessing the law, facts and adverse legal rulings in these types of cases nationally, the attorney general concluded that those at risk—and Ohio's economy—would be best served by focusing on how public/private partnerships can be enhanced to address any existing problems with lead paint exposure."

See **PAINT** page 24

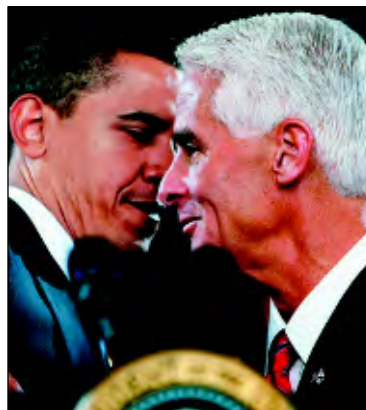
Fla. officials worried about cat fund

State's hurricane fund faces possible shortfall of \$18B, governor says

By COLLEEN MCCARTHY

TALLAHASSEE, Fla.—Florida officials lobbied at the state and federal levels last week to shore up the Florida Hurricane Catastrophe Fund amid concerns about its ability to pay claims should there be a severe hurricane.

The state-controlled FHCF, which provides reinsurance for insurers in the state—has a maximum capacity of \$29 billion, according to data released last week. But the FHCF, which revealed funding gaps in October, is facing steeper shortfalls for the upcoming hurricane season, Chief Operating Officer Jack Nicholson said in testimony last week to a Florida Senate committee.



SIPA PRESS

Florida Gov. Charlie Crist personally lobbied President Obama during the president's visit last week to Fort Myers, Fla., to advocate setting up a national catastrophe fund that could help disaster-prone states such as Florida and California.

Mr. Nicholson said the fund has about \$7.6 billion in cash, and state officials estimate they could raise

only \$3 billion more in bonds under the municipal bond market conditions, leaving a potential shortfall of \$18.4 billion.

Failure to close the gap could result in "insolvency and rating issues," Mr. Nicholson said in written testimony. "Unless insurers purchase backup reinsurance from the private market, a significant number of insurers may not have enough financial resources to cover a 1-in-100-year event," he said.

Meanwhile, Florida Gov. Charlie Crist personally lobbied President Obama during the president's visit last week to Fort Myers, Fla., to advocate setting up a national catastrophe fund that could help disaster-prone states such as Florida and California.

Also last week, Florida Insurance Commissioner Kevin McCarty met with congressional aides for U.S.

See **FLORIDA** page 21

LISTEN to a podcast and read the unabridged Q&A of this interview and many more at www.BusinessInsurance.com

extraordinary, the ability to help clients in times of need, in times of opportunity, is extraordinary. What I'm most excited about is when you consider that foundation and how the Aon leaders are rallying together to mobilize those forces on behalf of clients just continues to improve.

When you joined Aon in 2005, you outlined three principles for Aon to achieve. How has Aon progressed?

It's clear to us that those three principles—delivering distinctive client value, destination of choice in for the world's best talent and

TO HELP A CONSTRUCTION FIRM RUN SMOOTHLY,
WE SUGGESTED THEY HIT A BUMP IN THE ROAD.



When a construction company had a problem with gravel falling off their trucks and hitting other vehicles, our Commercial Auto experts investigated the situation. Seeing that trucks were leaving their locations with loose loads, we recommended inducing vibration to help settle the load, making the roads safer for everyone. The bottom line is, our loss control programs work. Plus, should an accident occur, we investigate quickly and thoroughly, keep you informed and resolve your claim in a timely manner. That's our policy. For more information visit libertymutualgroup.com/commauto.

Endorsements: Few buy image protection

CONTINUED FROM PAGE 3

tisements. Although Mr. Brown was arrested and released on \$50,000 bond, no charges had been filed as of late last week.

Neither Kellogg nor Wrigley returned telephone calls.

Performance guarantee insurance contracts customized for each situation are available covering the costs of advertising campaigns that are discontinued because of a celebrity's behavior, several sources said. London markets mostly provide the coverage.

Purchasing inquiries spike when news spreads that a corporation canceled an endorsement contract because its high-profile spokesperson attracted unfavorable attention, sources said.

HCC Specialty offers an image protection policy that can cover television time cancellation costs, pulling products off shelves, package changes and reshooting commercials.

The coverage rarely sells, and there are limited takers for similar products available from other

underwriters, sources agreed.

Because underwriters don't have loss histories, actuarial tables or other means of measuring the risks that a particular celebrity might pose, they usually demand a price that discourages buyers, sources said.

"Who knows what skeletons someone has in their closet," Mr.

'Who knows what skeletons someone has in their closet.'

Bill Hubbard,
HCC Specialty Underwriters Inc.

Hubbard said.

The coverage grows more expensive the more likely a celebrity will draw an unfavorable spotlight and their sponsor will need the coverage.

Additionally, the underwriting process can include drug testing, interviews of a celebrity's associates and other queries to which some stars and their agents object.

"Everyone wants to talk about (the coverage), but by the time you get through the underwriting process and pricing process, they kind of look at it and say, 'Hmm,'" said Lori Shaw, sports and leisure practice leader in Charlotte, N.C., for Aon Entertainment Group.

Instead of purchasing the coverage, most sponsors mitigate their risks with escape language in their celebrity endorsement contracts, Ms. Shaw said. Usually, the language will allow the sponsor to drop the contract and stop future payments if, for example, a celebrity breaks the law or an athlete violates the rules of his or her sport's governing body.

But that approach doesn't pay for incurred expenses.

"Most of the time, these companies have invested significant dollars in marketing support wrapped around a celebrity, and they may have already shot a bunch of commercials. They may have a whole marketing plan in place," Ms. Shaw said. "They have to put all of those things on the shelf, so they are out any money they already invested."

Commentary

President should light the smoke-free path



**JOANNE
WOJCIK**

Senior Editor Joanne Wojcik
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It's hard for me to admit, but I'm prejudiced against a certain class of people: Smokers.

If I am seated beside one on an airplane, I will ask to change seats to get away from their smell.

When I'm stopped at an intersection and see a hand holding a lit cigarette out the window of another car, I immediately press the recirculate button to keep the fumes out of my car.

I hold my breath as I pass them each morning outside my workplace, where they stand huddled just inches from the 25-foot barrier they are legally supposed to acknowledge.

To me, they are junkies, and the latest study proving that even their clothes are hazardous to my health has given me even more reason to shun them. Sure, we all have heard about the dangers of secondhand smoke. Well now there's a new hazard: "thirdhand smoke."

A study by doctors from Mass-General Hospital for Children in Boston has found that exposure to just the residue from cigarette smoke can pose harm to infants and children. The study found that the odiferous deposits that cling to smokers' hair and clothing, not to mention carpets and upholstery, include heavy metals, carcinogens and even radioactive materials.

Thirdhand smoke is what you smell when a smoker gets in an elevator after going outside for a cigarette, according to Dr. Jonathan P. Winickoff, the lead author of the study and an assistant professor of at Harvard Medical School. "Your nose isn't lying," he said in a recently published interview. "The stuff is so toxic that your brain is telling you: 'Get away.'"

My mother smoked, as did all eight of her siblings. All but two died from smoking-related illnesses, my mother being the first at 46. After her death, it took years for her brothers and sisters to eventually kick the habit. Some were in denial, believing the disease that took her would never get to them. But then two got emphysema, three had various types of terminal cancer and one got both. The two who are still living both kicked the habit many, many years ago.

Having experienced this, you can just imagine how disappointed I was to learn that our new president is a smoker. Sure, Mr. Obama says he's trying to kick the habit now that he's been elected president. And I'm sure he'll get a lot of support, especially since smoking is forbidden inside the White House. In fact, just after New Year's, I received a solicitation from a public rela-

tions person for a smoking cessation program claiming they had a cure for Mr. Obama's disease.

All I know, secondhand that is, is that quitting will not be easy. Most of the former smokers I know took several stabs at it before they were successful. Recognizing this, the National Business Group on Health is promoting a smoking-cessation policy that gives smokers several chances and all of the resources necessary.

Although he is a smoker, as a senator Mr. Obama co-sponsored a bill that would have given the Food and Drug Adminis-

Now there's a new hazard: 'thirdhand smoke.'

tration greater authority over the manufacture, marketing and distribution of tobacco products. I hope Mr. Obama's pick of William V. Corr, the head of the Campaign for Tobacco-free Kids, for the No. 2 spot at the Department of Health and Human Services is a demonstration of his continuing commitment to the cause.

But an even more potent gesture would be for Mr. Obama to become a nonsmoker himself. He should do it not only to set an example for the American people, but for the sake of those who are close to him—in proximity, that is.

Besides, I'd like to see him live to serve a second term.

According to the American Lung Assn., tobacco-related illnesses are the No. 1 preventable cause of death in this country, claiming more than 393,000 lives every year and costing our nation \$193 billion annually for health care and lost productivity. Another 50,000 people die from exposure to secondhand smoke, and there is no telling how many of us have or will be affected by thirdhand smoke.

INNOVATION the art of progress



August Macke (1887-1914) "Forms - Formen"

August Macke lived during a particularly innovative period for European art. His innovative style and bold colors contributed to the development of the main Expressionist movement.

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Business Insurance OPINIONS

Speed of COBRA plan a model not to follow

WE HAVE MIXED FEELINGS about COBRA provisions that are part of the huge economic stimulus bill that was expected to receive final approval by Congress last week.

On the positive side, Congress provided quick and appropriate help to employees who have lost their jobs and couldn't keep the health care coverage they had from their former employers because they couldn't afford to pay the COBRA premiums.

The legislation would ease that very real problem by providing laid-off employees with a 65% federal premium subsidy that would be available up to nine months.

While providing needed financial relief, legislators wisely rejected a provision in the House version of the stimulus legislation in which employees age 55 and older and individuals who worked at least 10 years for a company could have retained COBRA coverage until eligible for Medicare at age 65.

That provision had nothing to do with the issue at hand—helping to revive the battered U.S. economy. Just as important, it would have changed the purpose of COBRA—providing individuals with a temporary coverage bridge—to an entitlement program offering decades of coverage. Few people would think it reasonable for an employer to be on the hook to offer coverage for such long periods of time for individuals who may have worked for them only briefly.

On the negative side, the way Congress put this bill together should not, we hope, be a model for future health care reform or any other major piece of legislation.

It was crafted too hastily, likely leading to a future technical corrections bill to fix errors made in the rush to get the package to President Obama by President's Day.

And it was almost completely put together by Democrats. No one party has a monopoly on good ideas and we hope when Congress and the Obama administration turn their attention to health care, the views of members on both sides of the aisle will be actively sought and considered.

Insurance bill smartly sets debate framework

WE DON'T YET KNOW the details of the insurance regulatory reform bill that Reps. Melissa Bean, D-Ill., and Ed Royce, R-Calif., plan to introduce, but we nonetheless welcome the fact that they're going to drop it in the hopper sooner rather than later.

Virtually everyone agrees that one result of the financial crisis will be greater federal involvement in the regulation of insurance, whether somewhat indirectly through systemic risk regulation or directly through federal charters. Congressional leaders have made it clear that determining the best way to deal with systemic risk takes precedence over industry-specific questions, and that's how it should be.

But by getting an insurance regulatory reform bill before lawmakers early in the session, Reps. Bean and Royce will help assure that there's a framework for debate once Congress has dealt with systemic risk.

We can't—and won't—endorse what we haven't seen, but we can endorse launching this Congress' debate over the proper role of the federal government in insurance regulation as quickly as possible. Determining that role will take time, and the more time available for doing so, the better.

No one party has a monopoly on good ideas.



WRITE

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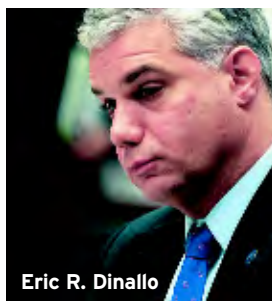
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THIS WEEK'S RESULTS

What's your view on New York's plan to mandate broker pay transparency?



It is unnecessary.

11%

It is a good balance.

56%

More needs to be done.

33%

NEXT WEEK'S QUESTION

Q: Should COBRA be expanded even if it raises employers' health care costs?

LETTERS

COBRA availability, not subsidy, is key

TO THE EDITOR: I have thoroughly enjoyed your coverage of the economic stimulus legislation that would provide federal COBRA premium subsidies ("Employers May See Rush for COBRA Cover," *BI*, Feb. 2), as well as, in the case of the measure passed by the House of Representatives, an expansion of COBRA eligibility for longer-service and older employees.

I do, however, want to discuss what seems to be a significant problem with the legislation.

I have been unemployed for 15 months and have been fortunate enough to be able to afford to purchase COBRA coverage, though it has involved much financial sacrifice.

While I agree that the extension of COBRA for longer-service and older workers until they are eligible for Medicare is excessive, how do you feel about the fact that people such as myself who elected and are still participating in COBRA—excellent health, no chronic conditions—are not being "grandfathered" into the extension and will be excluded from the other

See **LETTERS** page 18

PERSPECTIVES

Business Insurance accepts articles from experts in commercial insurance, risk management and employee benefits management for publication in its Perspectives section.

All articles for the Perspectives page should address the concerns of the corporate buyer of insurance; i.e., the risk management or employee benefits manager. Material written for only the concerns of brokers or underwriters is not appropriate.

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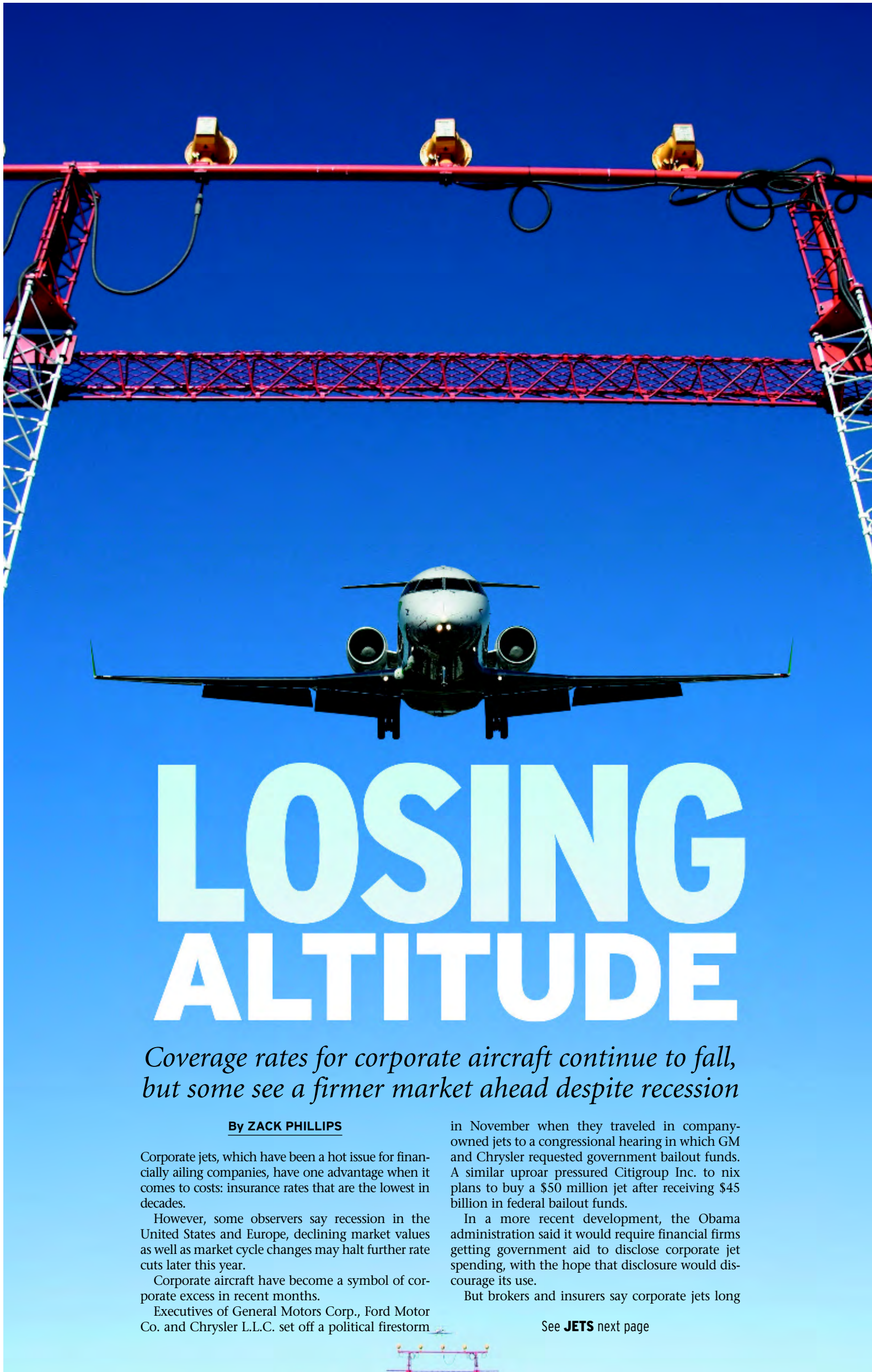
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LOSING ALTITUDE

Coverage rates for corporate aircraft continue to fall, but some see a firmer market ahead despite recession

By **ZACK PHILLIPS**

Corporate jets, which have been a hot issue for financially ailing companies, have one advantage when it comes to costs: insurance rates that are the lowest in decades.

However, some observers say recession in the United States and Europe, declining market values as well as market cycle changes may halt further rate cuts later this year.

Corporate aircraft have become a symbol of corporate excess in recent months.

Executives of General Motors Corp., Ford Motor Co. and Chrysler L.L.C. set off a political firestorm

in November when they traveled in company-owned jets to a congressional hearing in which GM and Chrysler requested government bailout funds. A similar uproar pressured Citigroup Inc. to nix plans to buy a \$50 million jet after receiving \$45 billion in federal bailout funds.

In a more recent development, the Obama administration said it would require financial firms getting government aid to disclose corporate jet spending, with the hope that disclosure would discourage its use.

But brokers and insurers say corporate jets long

See **JETS** next page

Specialty
RISKS

SPOTLIGHT

**MUSEUMS REVAMP
INSURANCE COVER
TO CUT COSTS**

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**CASH-IN-TRANSIT
CLAIMS SURGE SEEN
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**INSURANCE TAKES
LEADING ROLE
MANAGING STUNTS**

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NEXT SPOTLIGHT Feb. 23: Directors & Officers Risks

Jets: Some see firmer pricing ahead for corporate aircraft insurance

CONTINUED FROM PREVIOUS PAGE

have been aviation underwriters' favored class for a variety of reasons and that insurance rates have dropped precipitously in recent years. Corporate jets are known as the "industrial aid" segment of the general aviation market, which includes all flights other than scheduled commercial airlines.

About 10,000 of the world's roughly 16,000 corporate jets are based in the United States, according to Utica-N.Y. based JETNET L.L.C.

"It's considered the best risk...of any classification," said Mary Bade,

a Denver-based senior vp-aviation at broker Lockton Cos. L.L.C. "It's the cream of the crop for aviation business."

Ms. Bade and others point to several reasons why underwriters find the industrial aid sector enticing. Corporate jets typically carry only employees, who would be covered by workers compensation if there were an accident, so the third-party liability potential is less than commercial airlines.

Also, a large insurer can cover the entire hull and liability policy of a corporate jet. Commercial airline companies purchase insurance for an entire fleet of aircraft, so insurers

typically participate on a quota-share basis.

Brokers and insurers say corporate aircraft have a sterling loss record, which helps make the class consistently profitable for underwriters. From 1995 through 2007, corporate jets averaged 0.13 accidents per 100,000 hours of flight, while scheduled airlines averaged 0.24 accidents, according to the Washington-based National Business Aviation Assn.

Corporate aircraft have more stringent safety requirements for pilots and maintenance than commercial craft and more flexible schedules to deal with inclement

weather, said Greg Dekker, senior vp in the aviation practice of New York-based American International Group Inc.

In addition, corporate pilots fly one-third as often as commercial pilots, which allows more time for corporate pilots to attend training, he said.

Those reasons have led St. Paul, Minn.-based Travelers Cos. Inc., New York-based C.V. Starr & Co. and New York-based Allianz Aviation Managers L.L.C. to enter the industrial aid market in the past three years. They joined AIG; London-based Global Aerospace Underwriting Managers Ltd.; and the

United States Aircraft Insurance Group, a group of insurers writing aviation cover.

The new entrants have increased capacity to abundant levels, market experts say.

Paul Hayes, director at London-based aviation consultant Ascend Worldwide Ltd., said he had heard from underwriters that worldwide capacity was as much as 500% of the amount of risk.

The increased competition has helped soften the market. Ms. Bade said liability premiums now are 50% of what they were three to four years ago.

"Rates are as low as I've seen in my 30 years in the business," Ms. Bade said.

Tight financial markets and public relations fiascos have pushed companies to fly less frequently and, in some cases, to put their private jets up for sale.

There were about 23% fewer departures of corporate aircraft from U.S. airports last December than a year earlier (see chart), according to Cincinnati-based Avia-

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CORPORATE FLIGHTS

*Decrease in business aircraft activity,
by fleet type, in December 2008 vs.
December 2007*

Turboprop	-24.1%
Small-cabin jet	-22.1%
Midsized-cabin jet	-19.9%
Large-cabin jet	-26.0%
All aircraft combined	-22.8%

Source: Aviation Research Group/U.S. Inc.

tion Research Group/U.S. Inc. As of January, 2,928 used business jets were up for sale, a 70% increase from January 2008, according to JETNET. The buyer's market has decreased the value of jets, a decline that erodes some underwriters' premium base since premiums are based in part on hull values.

That erosion of premiums, coupled with the firming reinsurance market and what underwriters say are unsustainably low rates, will work to halt rate declines despite abundant market capacity and the decline in corporate aircraft use, observers say.

Joe Braunstein, a New York-based senior vp in the aviation practice of broker Willis HRH, said he expects price decreases to continue for another three to six months but become more limited afterward.

Mr. Dekker said he expects to see rates begin creeping up by the middle of the year.

Demand for corporate aircraft insurance will remain significant despite recent events, several observers say.

"There's still a big commitment from U.S. business to general aviation aircraft," said Jeff Novak, an Atlanta-based vp in Travelers' U.S. Aviation Group. "It's received some (negative) publicity lately, but all market indications show that general aviation is going to have a long-term, viable future."

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NYT PHOTOS

Michael Rush, director of the Rose Art Museum at Brandeis University in Waltham, Mass., said he was shocked at the decision to close the museum. Some museums selling collections face liability issues over ownership.

Museums cut corners on coverage to reduce costs in difficult times

By MEG FLETCHER

Taking a cue from their environment, many museum risk managers are responding creatively to the challenges they face at a time of global economic turmoil.

Many museums are asking for larger deductibles as well as less-than-full loss limits for the art and artifacts they display, even though the cost of coverage for most museum risks continues to decline, several sources said.

In addition, some museums seek lower premiums by combining coverage with sister institutions, while hundreds of historic U.S. homes are using a single broker to boost their insurance-buying power, sources said.

As museum endowments decline and other financial pressures related to the recession take hold, museums are seeking to save money wherever they can, they say.

In at least one case a museum is shutting its doors and planning to

sell works, as Waltham, Mass.-based Brandeis University announced recently. Yet, selling off artworks may bring a new set of problems, including ownership disputes, which have spurred inquiries into title insurance products.

"Insurance is a necessary cost of doing business, and the prices continue to rise," Janet Vaughan, senior director of member services for the Washington-based American Assn. of Museums, said in an e-mail. "So, in this economy where revenue is declining, any cost that's on the rise puts pressure on the museum's budget."

Several brokers and insurers, though, say coverage rates for museums are falling. Rates are expected to rise later the year, however, due to expected higher reinsurance costs, some sources say.

Until recently, "it's been a bit of a buyers' market," said Jennifer Schipf, New York-based senior underwriter with XL Insurance Fine Art and Specie, a unit of Hamilton, Bermuda-based XL Capital Ltd.

"I think it is pretty competitive across the board," said W. Robert Berkley Jr., executive vp of Greenwich, Conn.-based W.R. Berkley Corp., which began offering \$100 million in fine art coverage limits last year.

One bright spot is that the recession-driven drop in the value of scrap metal has reduced the number of thieves stealing museums' outdoor metal sculptures—or hacking limbs off immovable ones—said Joseph C. Dunn, president and chief executive officer of Huntington T. Block Insurance Agency Inc., a Washington-based unit of Aon Corp. of Chicago.

It's "a fairly competitive environment" for museums that do not face coastal windstorm or earthquake perils, said Robert Salmon, the Bethesda, Md.-based managing director of the Willis fine art, jewelry and specie unit of London-based Willis Group Holdings Ltd. For example, an inland museum without such exposures could get a 15% to 20% reduction in premium for \$20 million to \$50 million in fine art collection limits earlier this year when compared with the previous year, he said.

Museums typically buy an all-risk perils package policy for their general property and liability exposures as well as additional coverages for their collections, workers compensation and umbrella protection, according to Maureen Waterbury, Whitehouse Station, N.J.-based vp and manager of Chubb Corp.'s cultural institutions segment. They also may buy a variety of other coverages, including directors and officers liability as well as kidnap and ransom insurance, she said in an e-mail.

As they strive to reduce costs, some museums are restructuring their programs, she said.

"We are seeing more museums looking into higher deductible

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Continued next page

CONTINUED FROM PREVIOUS PAGE

options and are more willing to take on risk, whereas in the past they would insure the exposure," Ms. Waterbury said.

Travelers Insurance Cos. Inc. also is seeing requests for higher deductibles as well as some museums buying joint policies with sister institutions, said Andrew Gristina, the New York-based director of fine art insurance for Travelers inland marine division.

Also, according to Ms. Schipf of XL, it is "very common not to insure to full value."

Smaller museums, though, especially in catastrophe-prone areas, benefited from the expansion of a U.S. government program that provides up to \$1.2 billion in indemnity agreements for art and artifacts in international exhibitions. Such grants became available last summer for U.S.-owned items on exhibit in U.S. museums, if the exhibit includes some eligible non-U.S. artworks.

Since the federal Arts and Artifacts Indemnity Act program began in 1975, "the program has indemnified nearly 900 exhibitions, saving organizers more than \$230 million in insurance premiums," according to a statement by the National Endowment for the Arts, which oversees the program.

Also seeking to reduce costs, about 250 historic home museums in the United States have consolidated their buying power by using the National Trust Insurance Services L.L.C., a Baltimore, Md.-based brokerage affiliate of the National Trust for Historic Preservation, said Greg Coble, vp-business and finance for the Washington-based parent organization.

Title insurance

Those museums that are unable to survive the economic downturn face liability issue when they seek to sell their collections. For example, ownership disputes have spurred inquiries into title insurance products. Some of those disputes involve the claims of heirs to Holocaust-era seizures of art by Nazis.

Museums, private dealers and owners are increasingly considering the appropriateness of securing title insurance for contemporary artworks, several sources said, although a few raise concerns about adverse selection.

Only 25% of art-related claims stem from outright theft, the other 75% stem from disputes over other encumbrances such as tax-related liens, said Judith Pearson, president of ARIS Title Insurance Corp. in New York.

Title insurance can help museums cope with the problem of "abandoned property," when artworks have been on loan so long that their ownership is unknown, Ms. Pearson said. It also can help museums cope with ownership issues when cash-strapped museums like Brandeis sell their works.

Some insurers provide related coverages, said Andrew Gristina, New York director of fine art insurance for Travelers Inland Marine unit of Travelers Insurance Cos. Inc. Travelers provides a limited amount of defense cost coverage for title disputes, he said.



LISTEN to a podcast interview with Julian Radcliffe, chairman of the Art Loss Register
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Cash-in-transit market holds steady

But underwriters are preparing for change in unstable economic times

By JEFF CASALE

The cash-in-transit market has experienced less volatility than other lines of insurance, experts say, but underwriters are bracing for that to change given worldwide economic instability.

A niche market also known as the specie line with a limited number of insurers, the cash-in-transit line is "business as usual," according to insurers and brokers within the market. Capacity worldwide is holding at around \$1.5 billion and underwriting

is tightening as insurers look to make up for investment losses in 2008.

"The market is generally holding up during the drastic changes that the global economy has been going through," said Antonio Palmiotto, chief executive officer of Willis Group Holdings Ltd.'s fine art, jewelry and specie division.

"One thing we have seen in both the United States and United Kingdom markets is underwriters are focusing more on retention and, in doing so, are shifting their thinking toward an underwriting profit

whereas, in the past, insurers have relied on investment income to make a profit," Mr. Palmiotto said.

The bulk of the cash-in-transit insurance market is housed within the United States and United Kingdom, however Lloyd's of London is the dominant insurer with a majority of the major international armored car companies being insured in the London market. Typically, Mr. Palmiotto said, U.S. insurers will insure a certain amount of the cash-

Continued next page

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In 2006, there were 37 armored car robberies, with \$4.15 million in assets stolen, according to the FBI. Through June 2007, there were 16 armored car robberies, with more than \$14 million stolen.

Cash: Cash-in-transit market holds steady

CONTINUED FROM PREVIOUS PAGE

in-transit business and the excess will be insured in the London market. From there, Mr. Palmiotto said, risk can be transferred to reinsurance.

"Coverage is written on a legal liability basis and a certain number of the large international operators require limits which may run into many hundreds of millions of dollars," said Neil Robertson, London-based chief underwriter of global fine art and specie for XL Insurance Co.

XL began writing cash-in-transit risks at Lloyd's via the Brockbank Syndicate in 1992. It expanded its underwriting to the United States in

2003. Other major cash-in-transit insurers include Greenwich, Conn.-based W.R. Berkley Corp., New York-based Navigators Group Inc. and London-based Hiscox Syndicates Ltd.

XL, Hiscox and Navigators all write comprehensive protection for armored car companies, while W.R. Berkley, which entered the market last year, writes only asset coverage.

W. Robert Berkley Jr., New York-based executive vp of Berkley's asset protection group, said the insurer may broaden its coverage in the future.

Whatever coverage is written, "you have to be quite cautious as an underwriter and be selective in

what risks you choose to write," said Paul Martin, senior vp at Marsh & McLennan Cos. Inc.'s London-based specie division. "There's not much of a profit to be made in writing this line of business."

Mergers and acquisitions among cash-in-transit businesses in the past few years also have affected the insurance market, Mr. Robertson said. With the number of armored car businesses shrinking, some insurers have "failed to reflect these consolidated exposures in their rating," he said.

Losses and loss control are a big part of the cash-in-transit business. The industry's loss ratio in 2005 was about 150% of premiums collected, Mr. Palmiotto said. While the numbers improved in 2006, 2007 was a "tough year" for the cash-in-transit market, he said.

"Loss experience has been poor with a high frequency of low-value losses and an increasing number of significantly larger claims," Mr. Robertson said.

According to the FBI, in 2006 there were 37 armored car robberies, which resulted in \$4.15 million in assets stolen. Through June 2007, the FBI reported 16 armored car robberies totaling more than \$14 mil-

'You have to be quite cautious as an underwriter and be selective in what risks you choose to write.'

Paul Martin, Marsh & McLennan

lion in assets stolen. A majority of those cases involved the use of a firearm and in some cases a hostage was taken, according to the FBI.

Insurers and brokers say the cash-in-transit market may worsen given the state of global economies. Most said they expect to see spikes in crime against armored cars, which means loss control provisions used by cash-in-transit providers will become even more important to insurers.

Analyzing routes, tightening money movement procedures, and adding personnel or vehicles are ways such businesses can mitigate losses, Mr. Palmiotto said.

Furthering that point, Mr. Martin said cash-in-transit businesses also can have an outside security specialist independently assess risks that a company has, which would allow an underwriter to better gauge the exposures and price the policy.

Assessing risks that exist outside the cash-in-transit organization is just one aspect of preventing losses. Inside robberies also can occur, Mr. Martin said.

"Over the course of the last 10 years, there has been considerable investment by the more responsible operators to better protect their risk," Mr. Robertson said. "The sad reality is that the criminal fraternity reacts accordingly and the nature of loss events becomes ever more violent."

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Insurance plays starring role in management of stunt risks

Movie producers negotiate over scenes to lower cover costs

By LOUISE ESOLA

When it comes to insuring Hollywood's action-packed films, the bigger the boom, the higher the jump, the braver the stunt, the more expensive and detailed the insurance policy.

"Insurers are all over films when there are stunts involved," said Shel Bachrach, president of Los Angeles-based Bachrach & Associates Inc. which specializes in entertainment insurance.

Asian action film star Jackie Chan in 2006 publicly criticized the insurance industry for setting too many safety rules when it came to his daredevil on-screen feats.

On his Web site, www.jackiechan.com, Mr. Chan griped: "There are so many safety and insurance rules to follow.... I know they want to make sure that I'm safe when I do my stunts, but sometimes they insist that I use protective gear for even simple things, and that is frustrating."

Experts say there is a misunderstanding in Hollywood that insurers typically squash the heart-pumping, high-flying stunts that can make a movie stand out at the box office. Insurance typically is available for Hollywood stunts, no matter the danger, but producers will compromise with insurers and steer clear of major risks because premiums can take an enormous bite out of film budgets, experts say.

"Certainly there is some back and forth between our loss-control (experts) and the stunt coordinator," said Paul Jones, Los Angeles-based managing director for Aon/Albert G. Ruben Insurance Services Inc., which specializes in entertainment insurance. "Changes (to scripts) are common when insurance gets involved."

Insurers "don't make things difficult for producers, actors and stuntmen; they make it expensive," said Randy Frankel, Los Angeles-based president of Frankel & Associates, a brokerage firm that also specializes in entertainment insurance. "A lot of times the premiums freak (the producers) out. The more the explosions, the car chases, the larger (and more complex) the policies."

In general, according to film and insurance experts, stunts usually are excluded from a film's cast and liability insurance policies and underwritten as a separate policy. Often, these "stunt buyouts" are underwritten individually stunt by stunt, with insurance companies monitoring scripts and storyboards closely and even sending loss-control experts to the set.

Experts say the reasons for the extra attention are obvious: "The potential for big losses is huge with

stunt activity," said Mr. Jones.

When insurers decline to insure a specific stunt even as a buyout, production companies often search for insurance elsewhere for that stunt if they don't want to cut it from the film, according to Wendy Diaz, Los Angeles-based vp of the entertainment division for Fireman's Fund Insurance Co., one of the major carriers in the film business. The result can leave one production

relying on various carriers to protect the film, she said.

"There's no one-size-fits-all approach to (insuring) films with stunts," she said. "Our loss control (department) is heavily involved and if there's a stunt we can insure at the right price and deductible we will. Sometimes they have to go to the London markets."

See **STUNTS** next page



When Will Smith starred in "Ali," his self-performed fights would have been considered stunts had producers not choreographed every jab.



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Stunts: Insurers in starring role managing movie risks

CONTINUED FROM PREVIOUS PAGE

"There's always a way to get things insured," said Mr. Bachrach, who also says the London market—specifically Lloyd's of London—is much friendlier towards dangerous stunts.

As for premiums and policy limits, the figures vary greatly and limits are typically bought for up to the overall costs for producing the film, which is often in the millions of dollars if a major star is performing his or her own stunts, which is a rarity, experts say.

If a major film star is injured while filming, the entire movie can

lose its marketability and filming can come to a halt, leaving producers and studios millions of dollars in the hole, he said. "It's too expensive, too risky," Mr. Bachrach said. However, if a stuntman filling in for a major star is injured during filming, the production would continue, he said.

There are, however, some tricks of the trade. When an actor wants to perform his or her own stunts, Mr. Bachrach said there are some rules to follow to keep premiums at bay.

For example, producers and stars can choreograph stunts so insurers won't even consider them stunts by

definition. "The idea is to choreograph the film so much so and get away from calling anything a stunt," Mr. Bachrach said.

For example, when Will Smith starred in "Ali," the story of boxer Mohammed Ali, his self-performed fights would have been considered stunts had producers not choreographed every jab, according to Bachrach, who worked on this film's insurance portfolio.

There is, however, always that frustration on set with insurance carriers and clients that want to include stunts that require more expensive policies. "You'll see that sort of thing probably every time

there's been a picture with stunts involved," Mr. Bachrach said.

This ever-present battle is usually why producers will rely on stuntmen for the big explosions and daredevil scenes.

When it comes to stuntmen on the set, most that are contracted to work on films are typically "leased" to work by companies that provide stuntmen expensive workers compensation policies through various insurers, said Mr. Jones of Aon. The premiums for these coverages are typically surcharged to the production company by the leasing company and can run to 3% to 4 % of payroll, he said.

LETTERS

CONTINUED FROM PREVIOUS PAGE

aspects of the proposal simply due to the fact that we have been unemployed prior to Sept. 1, 2008?

I have some very legitimate issues with this and, frankly, as far back as October I've been on the backs of our politicians to extend COBRA eligibility beyond the present 18 months. This is particularly critical as it is taking people longer to find new employment in this economy. I am hoping that this can be reconciled in the final version of the legislation, even if such an extension is unsubsidized.

There is even precedent for a state to do this on its own as California did in 2003. (COBRA was extended to 36 months and it is still in effect today.)

As you can imagine, the situation is pretty grim as an individual policy (assuming you can get one) will be at least three times as expensive as the rate of my current COBRA premium. These premiums are not standardized and I was fortunate in that my former employer's group rate was within my reach.

Research has confirmed that less than 20% of people eligible for COBRA participate due to the high cost of coverage or other reasons. As a result, I fail to see how a subsidy of 50% or 65% of the premium is going to increase the participation rate, which makes this "assistance" nothing more than window dressing. However, for the few that have made tremendous sacrifices to enroll in COBRA, it seems only reasonable that a provision be made to "grandfather" them. Given that nearly \$30 billion is being allocated to this proposal, it is not asking very much to extend COBRA eligibility beyond 18 months for current participants, irrespective of their date of loss—even if it is without a premium subsidy.

According to the Bureau of Labor & Statistics, during the 13 months since this recession began in December 2007, 3.6 million people are out of work, and this number is actually much higher as it excludes people who are no longer receiving unemployment benefits.

I believe that few people are aware of the Sept. 1, 2008, eligibility restriction and will be outraged when they discover that this legislation will do nothing to provide them with expanded access to health coverage.

A. Huret
New York

COBRA isn't burden on employers

TO THE EDITOR: How can you write an article (Employers May See Rush for COBRA Cover, *BI*, Feb. 2) on COBRA saying that an extension of COBRA to those over 55 until they are covered by Medicare puts a burden on employers? COBRA is 100% paid by the employee. You pay your share and the employer's share and an extra 2%. The insurance companies do not want this because they will actually have to insure older people. Please set this lie straight.

Gary Reissman
Los Angeles



Open Up to New Markets:

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PROFESSIONAL MARKETPLACE

LEGAL NOTICE

THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS COUNTY DEPARTMENT, CHANCERY DIVISION
IN THE MATTER OF THE LIQUIDATION OF ALPINE INSURANCE COMPANY NO. 99 CH 267

NOTICE TO INSUREDS OF ALPINE INSURANCE COMPANY AND TRANSCO SYNDICATE #1, LTD., PERSONS HAVING CLAIMS AGAINST INSUREDS, INSURANCE COMPANIES POSSESSING CLAIMS FOR CONTRIBUTION OR RIGHTS OF SUBROGATION, AND OTHER GENERAL CREDITORS OF NEW CLAIM FILING DEADLINE AND PROCEDURES

Pursuant to an order entered by the Circuit Court of Cook County, Illinois (the "Supervisory Court"), the Liquidator of Alpine Insurance Company ("Alpine") recently paid in full all claims filed on or before the original claim filing deadline of May 6, 2002 (the "Original Claim Filing Deadline") that were allowed at priority levels (a) through (g) of Illinois' statutory distribution schedule, 215 ILCS 5/205(1)(a)-(g).

Subsequent to paying these claims in full, the Liquidator determined that a surplus of estate assets exists. Acting upon the petition of the Liquidator, on January 21, 2009 the Supervisory Court entered an order setting a **new claim filing deadline of May 26, 2009** for purposes of affording claimants who may still have claims, or who already have a late-filed proof of claim pending with the Liquidator, an opportunity to share in any distribution of Alpine's assets that may be made on allowed claims filed on or before May 26, 2009. Potential claimants include, but may not be limited to: insureds, persons having claims against insureds, insurance companies possessing claims for contribution or rights of subrogation, and other general creditors. Potential claimants also include claimants and creditors of Transco Syndicate #1, Ltd. ("Transco"), all of whom had the liability for their claims assumed by Alpine.

Claimants, who filed claims on or before the Original Claim Filing Deadline that have already been evaluated by the Liquidator and fixed in amount and paid by the estate by order of the Supervisory Court, and/or paid by a state insurance guaranty fund, can not re-file the same claim unless they have evidence of additional losses that were not submitted to the Liquidator for consideration as part of his previous evaluation of the claim. Any claimant whose proof of claim was filed after the Original Claim Filing Deadline (late-filed claims) need not re-file their claim, unless they have evidence of additional losses that were not previously submitted to the Liquidator for consideration.

If you believe you have a valid unsatisfied claim against Alpine, including claims against Transco, and wish to file a claim, a proof of claim form may be requested either: (1) by a written request sent to the following address: Alpine Insurance Company, In Liquidation c/o the Office of the Special Deputy Receiver, located at 222 Merchandise Mart Plaza, Suite 1450, Chicago, Illinois 60654; or (2) a request submitted through the Liquidator's web site using the following URL: www.osdchi.com/select_proof_of_claim.htm. For administrative purposes, a request for a proof of claim form should include the following information: your name and address, the claimant's name (if different), the Alpine or Transco policy number, the date of the loss or accident, and, if available to you, the Alpine or Transco claim number.

Proper proofs of claim, including claims for additional losses that were not previously submitted to the Liquidator for consideration, shall consist of a notarized statement, by letter or otherwise, signed under oath, setting forth the specific claim. Whenever a claim is based on a document, the document, unless lost or destroyed, must be filed with the proof of claim. If the document has been lost or destroyed, a statement of that fact and of the circumstances of the loss or destruction must be included in the proof of claim. The Liquidator reserves the right to require such additional information with respect to any claim filed with him as he may deem necessary.

Your proof of claim must be filed with the Liquidator on or before May 26, 2009. A proof of claim shall be treated as filed as of the date it is actually received by the Liquidator. A proof of claim shall also be deemed to have been filed as of the United States Postal Service's postmark date if it is mailed, or the date of delivery to a private mail courier for delivery to the Liquidator, as evidenced by a validly issued receipt from that courier. Subject to the provisions of Section 208(3) of the Illinois Insurance Code, proofs of claim not filed by May 26, 2009 shall not be eligible to participate in any distribution of Alpine's assets that may be made in the liquidation proceedings on allowed claims filed on or before May 26, 2009.

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UP Comings & Goings CLOSE



SCOTT BEEBER

NEW JOB TITLE: Managing director for business development with San Rafael, Calif.-based Craford Benefit Consultants.

PREVIOUS POSITION: San Francisco-based senior consultant of client development with Watson Wyatt Worldwide Inc.

GOALS FOR NEW POSITION: For the most part, I was hired to formalize and execute a sales and marketing strategy for Craford. Basically, I want to grow the business.

CHALLENGES FACING INDUSTRY: From the benefits side of the business, the commoditization of benefits is a big challenge. Benefits are really just a commodity and your lowest price wins. I think that it's important to demonstrate how you add value to clients.

FIRST EXPERIENCE IN INDUSTRY

JOB MARKET: My first job in human resources was an executive recruiter for a large professional recruiting agency called Spherion. One of my biggest clients used to laugh that every time he called me I was on the golf course.

ADVICE: I think building internal and external relationships is extremely important. Truly listening to your clients and understanding their business issues is paramount.

OUTSIDE THE INDUSTRY, A DREAM JOB: Lead guitarist for any rhythm and blues band that would have me.

MOST PASSIONATE ABOUT: Family for me is number one. My wife and daughter, as well as my extended family, are very, very important to me. Maintaining a sense of (work-life) balance is very important.

Comings & Goings ONLINE



VISIT www.businessinsurance.com/ComingsandGoings for a full list of this week's personnel moves and promotions. Check our Web site daily for additional postings and sign up for the weekly e-mail.

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Business Insurance would like to report on senior-level changes at commercial insurance companies and service providers. Please send news and photos of recently promoted, hired or appointed senior-level executives to:

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SPECIALTY RISKS

Regulation: Federal charter bill readied

CONTINUED FROM PAGE 1

cally important institutions." The measure "will clarify that the office of national insurance has the authority to access the financial records of all affiliates within a holding company structure." In addition, it will "require federally registered insurance holding companies that have a predominant share of insurance businesses...to be regulated at the holding company level as an insurance holding company by (the) office of national insurance."

In another departure from previous federal insurance regulation bills, the measure would open an office of the office of national insurance in each state to handle consumer complaints. Some critics of previous OFC bills complained that they did not guarantee sufficient consumer protections.

Supporters of previous OFC bills hailed the new measure as a step forward.

"The approach outlined by Reps. Bean and Royce is thoughtful and principled and we support it," said Joel Wood, senior vp at the Council of Insurance Agents & Brokers. "It is the natural evolution of comprehensive insurance reform that takes into account the radically altered political landscape. Their outline accurately reflects the public concerns about systemic threats and the insurance sector. It gives a framework for a modern regulatory structure that adequately takes into account the international marketplace, strong consumer protections and the promise to pay that is central to every insurance transaction."

"Clearly, we've always been supportive of Reps. Bean and Royce in

THREE-POINT PLAN

Highlights of the National Insurance Consumer Protection and Regulatory Modernization Act

- Establishment of a national system of regulation and supervision for nationally registered insurers and producers.
- Establishment of a national guaranty corporation for national insurers, if necessary.
- Establishment of a new systemic risk regulator with the authority to monitor insurers.

Source: Office of Rep. Ed Royce, R-Calif.

their efforts," said a spokeswoman for the New York-based Risk & Insurance Management Society Inc. "We haven't seen any specific legislative language, so we can't definitively comment, but from everything that we know and have seen, it looks like they're moving in the right direction."

"We were encouraged that these members remain committed to the issue," said Leigh Ann Pusey, president of the American Insurance Assn. in Washington. "While we haven't seen the legislative language, we look forward to seeing it and working with them. I think the timing is good because Congress is outlining a to-do list that includes federal financial regulatory reform. Having an optional charter bill out there is important to the debate."

But others viewed the proposal with greater skepticism. The Property Casualty Insurers Assn. of Ameri-

ca, which supports the current state-based system of insurance regulation, questioned whether the proposal emphasized the right sort of regulation.

"I think really what we need to focus on is systemic risk and get to the rest of these regulatory changes later," said Ben McKay, senior vp in PCI's Washington office. "Systemic risk is the urgent need. As we try and pull ourselves out of this economic tailspin, it's far more important that we're creating a system that prevents a repeat than it is that we revert back to this Byzantine battle that we've been having for many years."

"It does muddy the waters a bit. There are a lot of people on the Hill having difficulty separating systemic risk from solvency. To the extent that new proposals muddy those waters, they're not helpful," he said.

The National Assn. of Mutual Insurance Cos. questioned whether insurers even would have a choice of regulator if the act becomes law.

"Having not seen the details or the actual legislative language, it's hard to comment," said Jimi Grande, vp in NAMIC's Washington office. "However, it appears that the original authors of the optional federal charter have now realized that 'optional' was never a political reality and it seems to be absent in the planned legislation. We don't have any reason to believe that the new proposal won't also lead to an unlevel playing field and dual regulation of property/casualty insurers. The overwhelming majority of P/C companies was opposed to an optional federal charter and will be even more opposed once 'optional' is removed from it."

Industry associations applaud surplus lines bill

WASHINGTON—Two lawmakers say they will reintroduce legislation soon to streamline regulation of surplus lines insurers.

The Nonadmitted and Reinsurance Reform Act won House approval twice before but never reached the Senate floor. Reps. Dennis Moore, D-Kan., and Scott Garrett, R-N.J., plan to unveil the measure again soon, a spokeswoman said last week.

Among other things, the measure would make accessing the surplus lines market easier for risk managers and set a uniform system of surplus lines premium tax allocation and remittance. It also would ease regulatory burdens on reinsurers.

Previous versions of the measure won the support of the Risk & Insurance Management Society Inc. after the definition of a "qualified risk manager" was liberalized. That definition, expected to be in the latest bill, would set criteria that must be met before a broker representing a policyholder could access the nonadmitted market directly without first seeking admitted-market coverage.

The Kansas City, Mo.-based National Assn. of Professional Surplus Lines Offices Ltd. welcomed the bill's pending introduction. "We believe that the bill would make the surplus lines marketplace more efficient by facilitating the payment of surplus lines premium taxes and

eliminating unnecessary duplicative compliance requirements on surplus lines multistate risks," NAPSLO President John F. Wood III said in a statement. "NAPSLO is pleased to see Rep. Garrett and Rep. Moore take the lead to have the bill introduced in the House of Representatives and we are hopeful the bill will soon be introduced in the Senate," said Mr. Wood, who also is president of Specialty Risk Associates Inc. of Shreveport, La.

The Council of Insurance Agents & Brokers also welcomed the bill.

"Congressman Moore and Congressman Garrett are ranking, respected leaders on the Financial Services Committee, and we're appreciative of their interest in getting us back to where we left off last year on surplus lines reform," said Joel Wood, senior vp at the Washington-based CIAB. "Certainly, enactment of this legislation is our top parochial priority this session and we look forward to the legislation being reintroduced in both chambers in the coming weeks. It's hard to say at this point whether this will ultimately be considered as a stand-alone measure or as a part of broader reforms—but it has extremely broad stakeholder support from the industry, commercial consumers via RIMS and even state regulators."

—By Mark A. Hofmann

Florida: Fund seeks help

CONTINUED FROM PAGE 4

Reps. Ron Klein, D-Fla., and Debbie Wasserman Schultz, D-Fla., to discuss having the U.S. Treasury set up a temporary backup plan. Mr. McCarty proposed a federal line of credit that could be tapped only in the event of a storm that produced claims exceeding the claims-paying ability of the FHCF, said a spokesman for the state Office of Insurance Regulation.

In exchange for the loan, the spokesman said the state would pay a premium and recoup any advances through bonding and statutory assessments in Florida.

The specifics of the proposal were not discussed, according to a spokesman.

State officials were exploring other options, including a repeat of last year's deal with Berkshire Hathaway Inc. in which the state paid the firm \$225 million to borrow \$4 billion in the event of a major hurricane. This year, however, Berkshire Hathaway has not committed to such an arrangement, an FHCF spokesman said. And officials conceded that



even if Berkshire Hathaway committed, "their terms would not be the same," the spokesperson said.

Another option includes soliciting Wall Street investors to guarantee a loan. There also is the possibility of reducing the size of the fund and lowering its coverage capacity; however, this would result in a rise in reinsurance premiums, according to Mr. Nicholson's testimony.

Mr. Nicholson noted that some form of "federal solution would be the least costly short-term solution and may be the only feasible solution since worldwide reinsurance capacity may not be available to the extent needed for Florida."

Shipping: P&I club rates slow renewals

CONTINUED FROM PAGE 3

lost up to 50% of their free reserves. Free reserves are set-aside assets clubs use to minimize calls on members for funds to pay claims. About 90% of P&I clubs' reserves were in equities and hedge funds until recently, the report said.

"We believe the investment portfolios they hold are aggressive, particularly when compared with most other insurers," said Rowena Potter, a London-based analyst with S&P. "It reflects the fact that the clubs are owned by ship owners, who tend to be quite entrepreneurial."

Those investment losses came as clubs were facing an increase in claims. 2006 was the worst year on record for pool claims—claims above \$7 million that are paid from a pool between all 13 P&I clubs—and 2007 was the second-worst year. 2008 so far has been more benign, with only six pool claims amounting to about 20% of the cost of 2007 pool claims, according to S&P.

Still, the heavy claims years, combined with investment losses, have erased the last five years' worth of increased premiums, which clubs have raised on average more than 50%, according to S&P.

Observers say the losses and rate hikes are not as ominous as they may seem since P&I clubs are mutuals, so they tend to adopt a more generous posture towards policyholders.

"In the absence of outside shareholders, there is a natural dynamic within a club not to seek to overcharge members and to rely on investment income when you can," said Joseph E.M. Hughes, chairman and chief executive officer of the American Steamship Owners Mutual P&I Assn. Inc. in New York. "The danger in that...is that if things do go wrong, you don't have the margin of strong technical results to support a downturn (in) investment income or an increase in claims."

The combination of investment losses and unfavorable claims years has increased the practice of supplementary calls, when clubs ask for additional premiums for previous policy years that remain open due to the long-tail nature of liability insurance. The American Club, the Bermuda-based United Kingdom Mutual Steam Ship Assurance Assn. Ltd., the Luxembourg-based West of England Ship Owners Mutual Insurance Assn., the Bermuda-based Steamship Mutual Underwriting Assn. Ltd., and the Swedish Club all

have announced supplementary calls since October, according to Surrey, England-based Elysian Insurance Services, which tracks the P&I sector. Ms. Potter said she did not think this many clubs had made unbudgeted supplementary calls in one year since the early 1990s.

"It's reasonably unusual to have so many clubs having supplementary calls but, in any event, a supplementary call doesn't really do anything to address the ongoing technical underwriting equation," Mr. Grose said. "It just injects a little bit of capital. If clubs are making large losses, they're going to carry on making large losses."

The decline in world trade and commodity prices generally means a reduction in claims. But P&I clubs are not counting on that, given the lag in liability claims and other factors. S&P's report said it expects claims to decrease marginally in cost and frequency as the recession continues.

Mr. Gard said he expected more ship owners changing clubs at next year's renewals, but not this year. "I think the outcome is going to be there's less movement of accounts between all the P&I clubs," he said. "Times are hard and relationships are there."

XL posts \$1.42B loss for 4th quarter

HAMILTON, Bermuda—For 2008's fourth quarter, XL Capital Ltd. reported a \$1.42 billion loss compared with a \$1.21 billion loss in the prior-year period. The company said the 2008 quarterly loss was driven in part by a \$990 million noncash charge for the partial impairment of goodwill, which was primarily related to XL's 1998 acquisition of Mid-Ocean Ltd. Also hitting XL's quarterly results were other-than-temporary impairments of \$608.5 million, which includes a \$400 million investment portfolio restructuring charge. The fourth quarter 2007 net loss included \$416.3 million for other-than-temporary impairments primarily related to deterioration in structured credit

assets, as well as \$1.05 billion in charges related to a commutation agreement with financial guarantee insurer Syncora Holdings Ltd. and certain of its subsidiaries. XL also reported \$5.74 billion in 2008 net premiums written for its property/casualty operations, an 8.9% decrease from 2007. It posted a 95.7% combined ratio for the year, compared with 88.7% for 2007. The insurer reported an 89.4% fourth quarter combined ratio in 2008 vs. 93.3% for 2007's comparable quarter. The company also said it plans to trim about 10% of its workforce this year, with cuts primarily focused on the corporate and functional areas. —By Judy Greenwald

XL: Getting back on track

CONTINUED FROM PAGE 1

workforce (see related story). Despite the losses, XL's results exceeded analysts' expectations and, in response, XL's stock price rose 37.6% on Feb. 11, the day after it announced its results, closing at \$4.68. Shares closed Friday at \$4.31, down from a 52-week high of \$40.80. XL Chief Executive Officer Michael S. McGavick said XL's core operating performance was positive, and he reaffirmed the company's strength. "Under incredible challenge, given all the noise that surrounded the franchise toward the end of last year, XL held together a great book of business, and that's the foundation to the future. "Along with a great book of business, it was held together by a group of great employees who stuck it out. When you have those two things, you have all the opportunity at hand to see XL take advantage of what we think are improving market conditions," Mr. McGavick said. He said XL had an 83% retention rate in 2008 vs. an 86% rate in 2007, which was "one of the highest we've had." But Mr. McGavick said XL is not looking to break up or sell the company. "We have been crystal clear on this. We are focused—management and board—exclusively on operating as an independent company." Mr. McGavick said XL's overall plan to improve results includes changing its underwriting of certain subclasses of business and exiting lines it deems unprofitable. Particularly in the context of the fourth-quarter earnings, "it appears more likely they will remain independent," said John L. Ward, CEO of Cincinnati Partners L.L.P. in Cincinnati. Analysts say they are encouraged by XL's results. "We saw substantial changes in their investment portfolio," which has "been their biggest problem, and it's just refreshing to see a company aggressively address the problem," said Paul Newsome, a managing director with Sandler O'Neill &

Partners L.P. in Chicago. "They sold a lot of risky assets," he added. Mr. McGavick said in a statement in the company's fourth quarter announcement that "we are continuing to de-risk the investment portfolio, and the restructuring charge that we have chosen to take this quarter is an important step in this exercise." Mr. Newsome also noted that Mr. McGavick has said the company expects to reduce its gross written premiums in 2009. This is "prudent as a way to reduce your capital strain and maintain underwriting profitability," he said. Steven Ader, an analyst with Standard & Poor's Corp. in New York, said while it is always disappointing to report a loss, "when you look underneath the numbers, and you look at what is going on in operating performance...the one consistency in XL's results over the last couple of years has been this strong underwriting performance, and that continued to be the case through the fourth quarter." "Fundamentally, XL, from an underwriting perspective, is a wonderful business," Mr. Wicher said. "This issue around XL has been a balance-sheet issue, and it had to do with many of the same issues many large financial institutions are wrestling with." XL has "refocused on the business of insurance, rather than financial engineering products," and addressed its balance sheet issues so "there are no more big surprises," which policyholders and shareholders do not want, Mr. Wicher said. XL's fourth-quarter 2007 results reflect a \$1.05 billion charge related to a commutation agreement with Syncora Holdings Ltd., a holding company for financial guarantee units, and certain of its subsidiaries, which XL formerly controlled. XL spun off Syncora in 2006. Syncora, then known as Security Capital Assurance Inc., suffered huge losses from adverse developments in its structured finance collateralized debt obligations and its residential mortgage-backed securities loss reserves. Mr. Ward said, "When you peel

Rating agencies downgrade CNA, Hartford after '08 losses; insurers' outlooks revised

By JUDY GREENWALD

Rating agencies have voiced concerns over the financial outlook for CNA Financial Corp. and Hartford Financial Services Group, after both companies reported losses for 2008. But despite downgrades and revised outlooks by the rating agencies, both companies have options available to ensure they make it through the tough investment environment that is hurting many insurers, observers say. CNA has the continued support of its parent, New York-based Loews Corp., and some observers say Hartford may eventually seek greater separation between its life and property/casualty operations. CNA last week reported a \$299 million net loss for 2008, including a \$336 million loss in the fourth-quarter. Fourth-quarter results reflected other-than-temporary impairment investment losses of \$419 million after tax and \$309 million of pretax limited partnership investment losses for the quarter. Earlier this month, Hartford reported a \$2.75 billion loss for 2008 vs. a 2007 \$2.95 billion profit. The 2008 results reflected a net realized capital loss of \$3.6 billion after tax vs. a \$560 million after tax net realized capital loss in 2007, according to the company. But both insurers have options open to relieve their financial pressures, observers say. CNA benefits from its parent's continuing support despite its losses, said John L. Ward, chief executive officer of the Cincinnati-based Cincinnati Financial Group, pointing to Loews' \$1.25 billion capital infusion in CNA last year. That capital "was in anticipation of some rough times in their insurance operations, and the organization seems to be well-prepared to weather the storm," said Mr. Ward. "They seem to be committed to CNA and their insur-

ance strategy," he said. "I don't see anything unusual in CNA's results considering the tough times that we're operating in." Brian Schneider, director at Chicago-based Fitch Ratings, said CNA's results were "probably not out of line with what we would have expected, given their portfolio position, although the reduction in investment income from the limited partnership losses is probably more than we would have anticipated." Last week, Fitch downgraded the financial strength ratings of CNA's property/casualty subsidiaries to A- from A. Loews' continued support "helps to mitigate the potential downside, but certainly they'll probably continue to have difficulties on the investment side to the extent things don't turn around in the near term," given the composition of the portfolio, said Mr. Schneider. Alan Murray, senior credit officer at Moody's Investors Service in New York, also said he expects Loews, which owns about 90% of CNA, to remain supportive. Last week, Moody's affirmed CNA's property/casualty operations' A3 financial strength ratings, but revised the outlook to negative from stable, citing its continued investment losses. Also last week, Oldwick, N.J.-based A.M. Best Co. Inc. affirmed CNA's A financial strength rating, but changed the outlook to negative from stable. Hartford's problems lie with its life business, observers say. Even with the \$2.5 billion capital infusion made by Munich, Germany-based Allianz SE last year, there are "some concerns about their capitalization, particularly in the life company," said Mr. Schneider. In addition to its investment losses, Hartford transferred \$1 billion from its property/casualty operation to its life insurance operation during last year's fourth quarter, he said.

Last week, Fitch lowered the financial strength ratings of the Hartford's property/casualty insurance subsidiaries to A+ from AA-. Its primary life insurance subsidiaries, though, were lowered two notches, to A from AA- because of "the significant difference in their operating performance and balance sheet strength," said Mr. Schneider. Moody's cut Hartford's insurance strength ratings for its property/casualty and life insurance units to A1 from Aa3 earlier this month and placed a negative outlook on its ratings. Moody's Senior Vp Jeff Berg said Hartford's life insurance operation's ratings are being lifted by its property/casualty operation "and we have a level of concern" that providing the life operation with extraordinary support "could cause further ratings deterioration in the property/casualty operation." Mr. Ward said there may be a scenario "where the Hartford looks to have a greater separation" between the life insurance and the property/casualty operation. "Right now, their share price is suffering and it's trading well below book value, and that always hurts a company's ability to raise new capital," he said. Mr. Schneider said, at this point, Hartford is "still continuing to manage the entire company as sort of one entity, but at some point you would think if the life business was not going to recover, they would not want to pull any more money" out of the property/casualty operation. In addition, he noted, Hartford is looking to potentially access federal funds. He noted the insurer, which purchased a Florida savings bank last year, is one of the leading candidates to receive funds from the federal Troubled Asset Relief Program. A Hartford spokesman wouldn't comment about splitting its property/casualty and life operations.

the onion back and look beyond the investment hits on their balance sheet, there were a number of positive signs in their operating results, and all of those things would tend to give added confidence to brokers and customers." "I think they're starting to turn the corner," said Mr. Ward. However, lingering concerns remain about future investment performance and the economy's impact. "There's still quite a bit of market volatility, which leaves them exposed to additional investment losses," said Tana Higman, a director at Fitch Ratings in Chicago. "It's also going to make the completion of the strategic review of the life operations difficult," she said. Mr. McGavick has said the company is continuing to explore various strategic options for its annuity and its mortality and critical illness books of business, and for XL's U.S.

life company. In December, Fitch downgraded XL's insurer financial strength rating on its core operating companies to A from A+ and put it on rating watch negative. Mr. Ader said while S&P affirmed XL's A financial strength rating on its core operating insurance subsidiaries last week, its ratings' outlook remains negative because of "strain on the investment portfolio." On Friday, New York-based Moody's Investors Service affirmed XL's rating, including its A2 insurer financial strength rating and continued its negative outlook. Robert DeRose, vp at Oldwick, N.J.-based A.M. Best Co. Inc. said, "There's always the potential for further investment charges, but I think in terms of materiality, the bad news is behind them." Regis Coccia contributed to this article.

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COBRA: Compliance could be a problem

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miums they collect.

With the government picking up nearly two-thirds of the COBRA premium tab, the COBRA risk pool is certain to improve, though premiums collected by employers still are not likely to equal claims, experts say.

"Adverse selection, while perhaps not as great as before, still is going to be a problem," said Paul Dennett, senior vp with the American Benefits Council in Washington.

A modest improvement in the premium-to-claims ratio is certain to be offset by the flood of new beneficiaries opting for coverage.

"At the end of the day, this is going to be very costly for employers," said Mark Ugoretz, president of the ERISA Industry Committee in Washington.

The challenge for employers will be complying with the requirements that kick in almost immediately.

Under the legislation, the subsidies will be available starting March 1. That means employers will have to notify eligible beneficiaries of the change in what they have to pay for COBRA and send out new premium statements.

Some beneficiaries, unaware of the change in law, will overpay. Under the legislation, employers will have a choice initially of either providing a refund or a credit to be used against future payments.

Another big challenge for employers will be tracking down former employees laid off since Sept. 1, 2008, who declined COBRA cover-

COBRA EXPANSION SINCE 1986

How Congress has changed the COBRA health insurance continuation coverage law since the statute took effect

1990: Omnibus Budget Reconciliation Act allows disabled individuals to extend COBRA coverage an additional 11 months by paying a premium of 150% of the group rate.

2002: Trade Adjustment Assistance Reform Act provides a 65% federal premium subsidy for COBRA and other eligible health insurance coverage for those who lost jobs to foreign competition and for older individuals in pension plans taken over by the Pension Benefit Guaranty Corp.

2009: American Recovery and Reinvestment Act provides a nine-month 65% federal COBRA premium subsidy for employees laid off between Sept. 1, 2008, and Dec. 31, 2009.

age at the time. The legislation requires employers to notify those individuals that they have a new right to opt for subsidized COBRA coverage. The notice also has to spell out that beneficiaries have 60 days in which to opt for coverage.

In addition, employers will have to inform beneficiaries that their right to the subsidy will end when they become eligible for coverage from another employer. That is a change from nonsubsidized COBRA coverage in which COBRA eligibili-

ty ends only when beneficiaries actually enroll in a new employer's health care plan or after 18 months of receiving the coverage.

Under the legislation, beneficiaries collecting subsidies they no longer are eligible for will be required to repay the government 110% of the subsidy they received.

Few, if any, pieces of legislation of this size—the cost of the stimulus package is nearly \$800 billion—have moved through Congress so quickly. The legislation was introduced shortly after President Obama took office. President Obama, noting the deepening recession, said quick action was crucial and legislators responded.

While COBRA subsidies were part of earlier bills introduced in the House and Senate, the details changed along the way. The most significant change was congressional conferees dropping a provision—staunchly opposed by business groups—that would have allowed employees who worked 10 years for an employer and employees age 55 and older to retain COBRA until eligible for Medicare at age 65.

In addition, legislators fiddled until the last minute with the size of federal subsidy. In fact, a summary of the final agreement released by House Speaker Nancy Pelosi, D-Calif., said the premium subsidy would be 60%. A few hours later, a summary of the legislation prepared by the House Ways and Means Committee and the Senate Finance Committee said the premium subsidy was 65%, a sign of the 11th-hour tinkering by legislators.

inform their former employers of their new eligibility. That is different from unsubsidized COBRA coverage in which eligibility ends only when a beneficiary enrolls in new group coverage or Medicare. In addition, beneficiaries who received the subsidy to which they no longer were entitled would be required to repay 110% of the subsidy to the government.

Q: How does the employer receive the 65% share of the COBRA premium paid by the federal government?

The employer would be paid through reducing payroll taxes it remits to the government. If that does not recoup costs, the employer then would file with the Internal Revenue Service to receive the necessary payments.

Q: Must subsidy-eligible beneficiaries enroll in the same health plan they were in before they were laid off?

Beneficiaries eligible for the subsidy can elect coverage in a plan in which they were last enrolled. The legislation also permits employers to offer beneficiaries plans that have the same or lower costs than the one in which they were enrolled before being laid off.

—By Jerry Geisel

Products & Services

Chubb revises EPL endorsements

WARREN, N.J.—Chubb Corp. has given policyholders more time to notify the insurer about workplace discrimination charges with an endorsement to its employment practices liability coverage.

Chubb said its early claim incentive endorsement now allows policyholders to report Equal Employment Opportunity Commission workplace discrimination charges at any time during the policy period. If the policy is renewed with the Warren, N.J.-based insurer, another 180 days is available to report the claim.

The endorsement also includes most-favorable-jurisdiction language for EPL claims. Even so, Chubb said it still urges policyholders to report claims as soon as possible through a separate endorsement, which provides a 10% deductible reduction up to \$50,000 for EEOC claims reported within 15 days.

Other EPL endorsements Chubb offers cover defense costs associated with data breaches of employees' private information and certain expenses to avoid a repeat of a violent workplace incident.

For more information, contact Catherine Padalino, worldwide EPL product manager for Chubb Specialty Insurance, at cpadalino@chubb.com.

Startup Torus offers \$50M in capacity

HAMILTON, Bermuda—Startup insurer Torus Insurance Holdings Ltd. (Bermuda) said it is offering up to \$50 million excess liability capacity.

According to the specialty insurer that began writing business on Jan. 1, the capacity can provide coverage for any class of business. The coverage is aimed at helping policyholders diversify their programs when many insurers are losing experienced employees, Torus said.

Torus formed last summer backed by equity funding from First Reserve Corp. Torus then reached agreement to acquire Praetorian Specialty Insurance Co. from a unit of QBE the Americas and entered into a "strategic transaction" with New Castle Reinsurance Co. Ltd. to acquire certain personnel and renewal rights.

For more information on the excess liability capacity offered, contact David Perez, president and chief underwriting officer, global casualty, at dperez@torusinsurance.com or visit www.torusinsurance.com.

CareOperative develops online pricing guide

BRENTWOOD, Tenn.—Third-party administrator CareOperative L.L.C. said it has developed a free online pricing guide, Healthcare Blue Book.

The site at www.healthcarebluebook.com offers pricing data for health care services on a national basis and provides pricing and treatment information for surgery, hospital stays, medical tests and other procedures.

The site allows users to search medical services within a specific market by ZIP code. Prices are based on an average of the negotiated price that health care plans pay their network providers for a service in a specific market, the Brentwood, Tenn.-based company said.

In addition, a customized application is available to employers to support consumer-directed benefit plans, the company said. The customized program uses an employer's medical claims data to provide employees and their dependents with price information for in-network providers.

For more information, contact Dr. Jeff Rice, chief executive officer, at 615-473-1773 or jrice@healthcarebluebook.com.

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Frequently asked COBRA questions answered

COBRA provisions in the massive economic stimulus bill are by far the biggest expansion in the 23-year history of the COBRA health care law. While the enactment of COBRA in 1986 caught many employers by surprise, most employers are aware of the COBRA subsidy provisions in the American Recovery and Reinvestment Act of 2009, which was expected to receive final congressional approval last week and which President Obama is expected to sign this week. The core COBRA provisions are well-known: The federal government would pay 65% of the COBRA premium for employees laid off from Sept. 1, 2008, through Dec. 31, 2009. The subsidy would be available up to nine months. But many other details and requirements are less known. To aid employers in complying, here are some frequently asked questions and their answers.

Q: Is anyone laid off from Sept. 1, 2008, through Dec. 31, 2009, eligible for the premium subsidy?

Yes, with two exceptions. Under the first exception, employees terminated for gross misconduct would be ineligible for COBRA and the subsidy. In addition, the subsidy would not be available to laid-off workers with annual adjusted gross incomes exceeding

\$125,000 for individuals and \$250,000 for couples in the year or years the subsidy was available.

Q: The subsidy begins March 1. Would individuals laid off since Sept. 1, 2008, and who opted for COBRA then be entitled to a subsidy for the months in which they paid the full premium?

No. The subsidy is prospective. It would be provided only for coverage starting on or after March 1.

Q: Would an employee who declined COBRA coverage prior to the March 1 effective date be eligible for the subsidy?

Yes. Employees laid off since Sept. 1, 2008, would have a new right to enroll, with the federal government paying 65% of the premium. Eligible beneficiaries would have 60 days once they are notified to enroll.

Q: When does the 65% federal premium subsidy end?

The subsidy ends if any of a number of events occur, including the beneficiary becoming eligible for health care coverage from another employer or for Medicare. Beneficiaries would be required to

Paint: Ohio drops lawsuit

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Mr. Cordray's decision came less than a year after Rhode Island's Supreme Court ruled that a lower court erred in finding that three former manufacturers of lead paint created a public nuisance under Rhode Island law by making and selling a harmful product (*BI*, July 7, 2008).

The Ohio Manufacturers Assn., which had fought the suit since its filing, hailed the decision.

"Needless to say, we believed the lawsuit to be unlawful then as we do today," said Ryan Augsburger, managing director-public policy services for the Columbus-based business group. "The OMA is very pleased by Attorney General Cordray's decision to drop the so-called lead paint lawsuit. Although we don't believe the case would have

been successful under Ohio law if litigated, the very presence of such a lawsuit has a deterring effect on economic development and jobs. Ohio can ill afford to lose ground on either front."

"The Ohio attorney general's decision to drop this ill-conceived lawsuit thwarts the latest attempt by the plaintiffs' bar to turn lead paint into its next cash cow," said Lisa Rickard, president of the U.S. Chamber Institute for Legal Reform in Washington in a statement.

"In abandoning the suit, Attorney General Cordray follows the legal pattern set by the Supreme Courts of Missouri, New Jersey and Rhode Island, each of which repudiated the application of a novel, but improper, use of the centuries-old public nuisance theory to establish liability for alleged lead paint injuries."

News
In Brief

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airplane that crashed near Buffalo, N.Y., last week is insured under a joint hull and liability policy for Delta Air Lines, market sources said. Colgan Air Inc. was operating Continental Connection Flight 3407 when it crashed, killing 50 people. Colgan's owner operates a fleet of regional jets for several airlines, including Delta and Northwest Airlines. Delta and Northwest announced a merger in October. Global Aerospace Underwriting Managers Ltd. led the Northwest section of the program and United States Aircraft Insurance Group led the Delta section. Two industry sources put the value of the hull at about \$19 million. The liability limit for the policy is \$1.75 billion per occurrence, according to a source.

P/C profits fall
in 2008: Best

The U.S. property/casualty insurance industry's profits for 2008 will drop nearly 80% to \$14 billion, according to an estimate from A.M. Best Co. Inc. Slumping underwriting results and weak investment markets hindered U.S. property/casualty insurers to a "critical point," where future profitability will depend on tight underwriting and sound enterprise risk management, Best said. Best projects 2008 net written premiums for the commercial property/casualty industry to drop to \$449.7 billion from \$453.4 billion in 2007, which was down from \$457.3 billion in 2006. Best also forecast that the industry's combined ratio for 2008 will be 104.7%, compared with 92.4% in 2007.

Cincinnati Bell plans
benefits phase-outs

Regional phone company Cincinnati Bell Inc. is phasing out its defined benefit pension and retiree health care plans for management and other nonunion employees, citing a need to cut costs. The pension plan phase-out will occur in two stages. Under the first, employees who were under age 50 as of Jan. 1 will stop accruing benefits as of March 28. In the second stage, employees who were age 50 or older as of Jan. 1 will stop earning pension plan credits after Dec. 31, 2018. In addition, Cincinnati Bell will terminate retiree health care coverage for management and other nonunion employees and retirees on Dec. 31, 2018. Before that, it will freeze its contribution toward coverage at 2009 levels.

Former Swiss Re exec
tapped as Mo. regulator

Missouri Gov. Jay Nixon has nominated John M. Huff, a former Swiss Reinsurance Co. executive, as director of the Missouri Department of Insurance, Financial Institutions and Professional Regulation. Mr. Huff previously was global head of key

case management at Swiss Re. Before joining the Zurich-based reinsurer, he served as global claims leader for GE Insurance Solutions from 1998 to 2006. Swiss Re acquired GE Insurance in 2006. Mr. Huff's appointment will be presented to the Missouri Senate for confirmation. If approved, he will replace Acting Director Linda Bohrer, who retired.

Insurance industry
employment drops

The unemployment rate among U.S. insurance industry companies—which includes insurers and intermediaries—stood at 3.5% in January, according to the U.S. Bureau of Labor Statistics. During 2008, 580,000 people were laid off in the broader financial services sector, increasing the unemployment rate in the insurance industry, which had hovered around 3.0% throughout 2008, according to the BLS. Overall, the number of people working in the insurance industry was 2.3 million in January 2008, according to the BLS's seasonally adjusted statistics. For December, the agency predicts that number will have dropped to 2.2 million, and a further drop of about 2,000 employees is expected for January 2009.

Aetna, CIGNA sued
over use of Ingenix

The American Medical Assn. and several state medical associations and individual physicians have sued Aetna Health Inc. and CIGNA Corp. in New Jersey federal court, alleging the health insurers underpaid physicians for out-of-network medical services. The suit, which seeks class action status, specifically accuses the insurers of using the "corrupt" Ingenix system to underpay physicians for out-of-network medical services and forcing patients to pay an excessive portion of the costs. Ingenix's Prevailing Healthcare Charges System and its Medical Data Research products are owned by UnitedHealth Group Inc. and have been used by the most health insurers to calculate out-of-network reimbursements. An investigation by New York Attorney General Andrew Cuomo determined that the databases resulted in underpayments, and several health plans since have agreed not to use Ingenix.

RIMS welcomes
regulation report

The Risk & Insurance Management Society Inc. last week praised the Government Accountability Office's recent report on the state of the nation's financial regulatory system, which the society hopes may spark congressional consideration of federal insurance regulation. In a statement, RIMS said the report "identifies the current fragmented United States regulatory structure as both an impediment to coordinating with other regulators on an international scale as well as contributing to regulatory inefficiency and ineffectiveness domestically. These factors impact insurance affordability and availability and are important to risk managers as purchasers of commercial insurance."

THE NEWLY COMBINED WELLS FARGO INSURANCE SERVICES INC.

HEADQUARTERS: Chicago ■ **2008 REVENUE:** \$1.7B ■ **EMPLOYEES:** 9,200 ■ **OFFICES:** 200 [IN 16 STATES]

WACHOVIA INSURANCE SERVICES INC.

Became part of WFIS via Wells Fargo's \$15.1 billion acquisition of Wachovia Corp. in 2008

HEADQUARTERS: Charlotte, N.C.

2007 BROKERAGE REVENUE: \$422.5 million

EMPLOYEES: 1,309

OFFICES: 42 in 20 states

NOTABLE ACQUISITIONS: Palmer & Cay Inc. in 2005, Cameron M. Harris & Co. in 2002, Hamilton Dorsey Alston Co. in 2001, DavisBaldwin Inc. in 2000

ABD INSURANCE & FINANCIAL SERVICES

Became part of WFIS via Wells Fargo's \$1.5 billion acquisition of Greater Bay Bancorp in 2007

HEADQUARTERS: Redwood City, Calif.

2006 BROKERAGE REVENUE: \$168.4 million

EMPLOYEES: 830

OFFICES: 20 in four states

NOTABLE ACQUISITIONS: Lucini/Parish Insurance Inc. in 2005, Sullivan & Curtis Insurance Brokers of Washington in 2003, Minet Technology Services in 1997.

Source: Wells Fargo

Wells Fargo: Daunting task
of integration lies ahead

CONTINUED FROM PAGE 4

cerned, Mr. Zuercher said they can expect an "enhanced" WFIS as a result of the unions.

"We still have a very strong local presence in midsize cities across the country thanks to Acordia's strategy," he said, referring to the brokerage Wells Fargo acquired in 2001. "But what we've added to that with ABD and Wachovia is a much greater presence in major markets. What we're trying to become is a true universal insurance broker and, in order to do that, it was important for us to have critical mass in some of the major cities," he said.

Such critical mass also will help in better aligning WFIS's footprint to that of Wells Fargo's for cross-selling purposes, he added.

The addition of ABD and Wachovia Insurance has doubled the number of risk management accounts at WFIS and expanded the broker's technical capabilities in such risk areas as environmental, directors and officers liability, executive risk, construction wrap-up and private equity, Mr. Isaacson said. "We can stand up now to anybody in the industry with technical excellence," he said.

Observers say the two firms are a good fit, but note integration challenges lie ahead.

"Long term, it's an excellent opportunity for Wells Fargo Insurance to acquire a very large franchise that historically has not performed as well as other organizations," said Rob Lieblein, managing director of investment banking and consulting company Hales & Co. in

Harrisburg, Pa.

But while Wachovia Insurance expands WFIS' presence in some markets, "the challenge will focus around retaining good people," he said. "I've met a number of people already who have indicated that they may leave and people who have already left."

"It should be a nice marriage," said Kevin P. Donaghue, managing director of Mystic Capital Advisors Group L.L.C. in New York. "The entrepreneurs have already sold into

Integration is 'going to be
a rocky road' as WFIS is
'getting some good and
some bad offices' from
Wachovia Insurance.

Kevin P. Donaghue
Mystic Capital Advisors Group L.L.C.

a bank so the bank culture has already been instituted in each organization. Now they are just combining bank cultures so I think it's a little less of an issue than the original sale" of the brokers into the banks.

However, integration is "going to be a rocky road" as WFIS is "getting some good and some bad offices" from Wachovia Insurance, Mr. Donaghue said. But given WFIS' integration experience, "I think they will be able to consolidate (Wachovia Insurance) effectively," he said.

Case: Q&A

CONTINUED FROM PAGE 4

have never been higher for them. They don't have a lot of margin for error, and our message has been: Listen, we can help bring you muscle and insight and content you could never get anywhere else, and we will do it in a very tailored, focused way for you. Bringing global Aon to clients locally is even more true for clients who are middle sized than for mega-clients.

What will brokers in general, and Aon in particular, look like in five years?

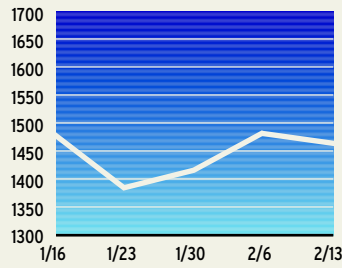
I'm not sure anybody can answer that question given the last six months other than to say you're going to most certainly be wrong. The question is how much you're going to be wrong. There are lots of other competitors out there and they're fantastic, and we wish them all the best, but what we aspire to five years from now is being able to say that Aon is providing a level of insight around understanding risk and human capital in a way that is setting a standard that's not been seen before.

Stock Index

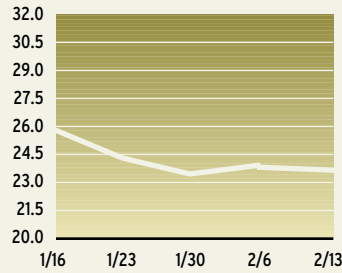
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Up-to-the-minute data for all 82 companies that comprise the BI Stock Index can be found at www.IndustryFocus.com.

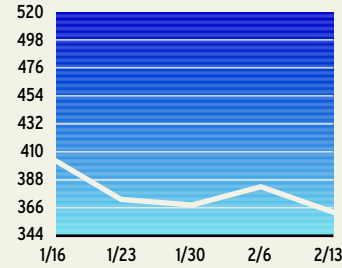
BI STOCK INDEX



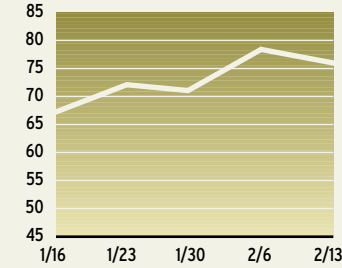
BI BROKERS INDEX



BI INSURER/REINSURERS INDEX



BI MANAGED CARE ORGANIZATIONS INDEX



Percentage change of BI Stock Index vs. key indicators

BI/STOCK INDEX	
1409.37	➡ -3.93%
DOW JONES	
7850.41	➡ -5.20%
S&P 500	
826.84	➡ -4.91%

LARGEST GAINS

XL Capital Corp.	42.24%
Everest Re Group	11.00%
Willis Group Holdings	8.33%
American Financial.	7.24%
RenaissanceRe Holdings	5.46%

LARGEST LOSSES

AIG	-18.27%
CNA Financial	-17.19%
MBIA Inc.	-15.74%
UNUM Group	-14.48%
MetLife Inc.	-14.21%

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

Some pass safety test while others pass out

A required safety training course for New York construction workers may be a bit wobbly, its focus blurred by beer.

The Daily News reported that one of its journalists went undercover to attend what was supposed to be a 10-hour U.S. Occupational Safety and Health Administration-certified safety training session for hardhats. But the entire course lasted just more than three hours. That included waiting for an instructor to show up and some participants taking advantage of a break to grab a few brews in the bar below the class site.

One participant fell asleep, the paper reported with the headline, "This course is almost as easy as falling off a bar stool."

New York decided to require the safety training program to mitigate construction accidents in the city, which reportedly accounted for 19 deaths and 181 injuries last year due to issues such as improperly assembling scaffolding, ignoring safety rules and failing to handle equipment properly.

The city began requiring workers in buildings with 15 stories or more to take the \$125 safety course. But Big Apple safety programs already have had their problems, such as an OSHA-certified trainer arrested for reportedly charging \$300 to falsify that crane operators completed a 30-hour course.

An OSHA spokeswoman said the Daily News picked only certain facts for its training course stories, but she didn't elaborate.

OSHA, meanwhile, reportedly sent a memo to training operators saying reform actions include more spot checks of programs it has certified.

As for the workers who took the course above the bar, the operator told the newspaper they can retake the class—this time for free.



Business Insurance END PAGE

Contributing: Roberto Cenicerros, Mark A. Hofmann, Joanne Wojcik



Street artist Shepard Fairey poses with his Barack Obama Hope artwork. Mr. Fairey is locked in a dispute over his use of an Associated Press photograph.

Obama's changed, but is it enough?

Was Shepard Fairey's abstract rendering of Barack Obama fair use of a photographer's work or merely a purloined pic?

The Los Angeles visual artist, known for his cultural iconography, is suing the New York-based Associated Press to maintain his artistic rights. The suit asserts that Mr. Fairey's use of a photograph taken in 2006 by an AP photographer was protected by the Fair Use Doctrine, a legal concept that allows certain exceptions to copyright law.

Mr. Fairey claims the photo served as "a visual reference" for his series of illustrations that were reprinted on posters distributed during Obama's presidential campaign. The image is slated to appear in the National Gallery in Washington.

Fairey transformed the literal depiction of the photo "into a stunning, abstracted and idealized visual image that creates powerful new meaning and conveys a radically different message that has no analogue in the original photograph," Mr. Fairey's suit states.

The AP, however, has a different view of the situation, and was surprised by the suit filed while it was in talks with Mr. Fairey's lawyers from Stanford University's Center for Internet & Society.

"AP is disappointed by the surprise filing by Shepard Fairey and his company, and by Mr. Fairey's failure to recognize the rights of photographers in their works," an AP spokesman said in a statement. "AP believes it is crucial to protect photographers, who are creators and artists."

Mom finds multiple uses for comp cash

People do some strange things with workers comp pay, but using the funds to have eight children through in vitro fertilization to add to an existing brood of six is probably one of the more unusual cases. But that's what one mental hospital worker did, according to reports.

Nadya Suleman paid for the fertilization process with savings and workers comp disability payments, according to news reports. The workers comp payments flowed from a back injury she sustained in 1999 while working as a psychiatric technician at Metropolitan State Hospital in Norwalk, Calif.

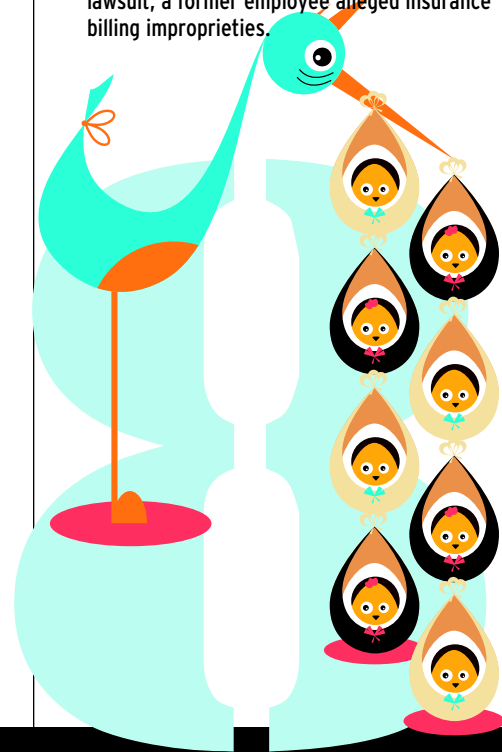
Ms. Suleman was struck with a desk while holding down one patient. Another patient tossed the desk during a riot, according to the reports. In 2001, Ms. Suleman filed a second workers comp claim for neck, back and shoulder injuries sustained during an automobile accident that happened while driving for medical treatment because of her work injury.

Whether Ms. Suleman received benefits for the second incident is unknown. But by 2008, when benefits for her first claim terminated, she had received more than \$165,000 in workers comp payments. According to reports, in-vitro fertilization costs between \$8,000 and \$15,000.

Last week, news stories reported public backlash against the single mom because she already has six young children, lives with her parents and has no income other than \$490 she receives monthly in food stamps and additional federal disability income for some of her children.

Her story is crisscrossed with insurance angles.

Kaiser Permanente Hospital in Bellflower, Calif., reportedly asked a state health plan to pay for the eight premature infants' care and, according to published reports, her fertilization doctor has been sued twice. In one settled lawsuit, a former employee alleged insurance billing improprieties.



Citi banks on pawned image for funds

Citigroup Inc. ought to know something about being in hock.

After all, the New York-based financial services giant has accepted billions from the federal government's Troubled Asset Relief Program to help stay afloat. So maybe it should come as no surprise that Citigroup recently sued a pawnshop.

Citigroup filed suit in New York federal court against All Citi Pawn Inc. in Brooklyn over its use of the blue "Citi" trademark and service mark—something Citigroup said was used as early as 1897 and was federally registered in 1981—"often with an



arc-type symbol" in red that Citigroup said it registered a year ago.

The suit seeks to force the pawnshop to cease using the Citi marks, which it said All Citi Pawn refused to do earlier.

However, Bob Kay, All Citi Pawn's manager, called the situation "crazy."

"They're going wild for a little art that I put up. Theirs is a moon shape; mine is a V-shape, but I've already taken it down," Mr. Kay told CNN.

In its infringement suit, Citigroup seeks all profits since All Citi Pawn adopted the

name as well as its Web domain, www.allcitipawn.com.

"This is a joke, right?" Mr. Kay told the New York Post. "It makes no sense. They're a bank. I'm a pawnshop. They make more in one day than I do all year."

But times are tough. After all, Citigroup recently reversed itself on acquiring a \$50 million corporate jet after drawing fire from lawmakers who said they hadn't approved bailout funds so executives could have their own wings. It takes money to get out of hock, and it looks like Citigroup figures a pawnshop may be the place to find some of it.



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—Louis Lubrano, Senior Vice President
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