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Business Insurance

March 29, 2010

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MOMENTUM BUILDS IN SENATE TO OVERHAUL REGULATION FOR FINANCIAL SECTOR / PAGE 3

In Brief

Greenberg to sell most remaining AIG shares

Former American International Group Inc. chief Maurice R. Greenberg plans to sell most of his remaining shares in AIG to Swiss bank UBS A.G. for at least $278 million. Starr International Co. Inc., Mr. Greenberg's investment vehicle, said in a regulatory filing that it would sell as much as much as 10 million shares to UBS Securities L.L.C. during the next three years.

Buffett increases stake in Munich Re to 8%

Warren Buffett has exercised options on a 2% stake in Munich Reinsurance Co., bringing his total stake to almost 8%, the reinsurer said in a voting rights notice last week. Mr. Buffett's Berkshire Hathaway Inc. also holds a 3% stake in Zurich-based Swiss Reinsurance Co.

See **IN BRIEF** page 22

SPOTLIGHT

SELF INSURANCE & CLAIMS MANAGEMENT

Medical stop-loss rate increases vary widely; some employers seek specialist help on Medicare reporting requirements; claims adjusters learn lessons from major losses; plus *BI* ranks largest third-party administrators. **PAGE 9**

HEALTH CARE OVERHAULED

Employers begin work to make plans comply with landmark law

By JERRY GEISEL

WASHINGTON—Nearly all employers will have to move quickly to redesign their health care plans to comply with requirements in the landmark health care reform legislation that Congress approved last week.

The votes ended nearly a year of debate in Congress on the legislation, which seeks far-reaching changes to the nation's health care delivery and financing system. The most significant change will be the extension of coverage to more than 30 million uninsured U.S. residents through a huge expansion of Medicaid and establishing new federal health insurance premium subsidies.

While legislators' work is done, employers' is just beginning.

"There is so much awaiting employers," said Edward Fensholt, senior vp and director of compliance services at Lockton Cos. L.L.C. in Kansas City, Mo.

To meet a Jan. 1, 2011, deadline that will apply to employers with calendar-year plans (see box, page 18), employers during the next few months will have to redesign their health care plans to extend coverage to employees' adult children up to age 26, eliminate lifetime dollar limits and remove pre-existing condition exclusions, if any, for children up to age 19.

UPI/LANDOV

Capping off a yearlong effort, President Obama signed health care reform legislation last week.

INSIDE

START TALKING: Employers urged to communicate with staff about reforms' impact. **PAGE 20**

START ACTING: Key dates for bringing plans into compliance with health reform law. **PAGE 18**

START TO FINISH: How the landmark measure went from concept to reality. **PAGE 18**

They also will have to narrow allowed spending from flexible spending accounts to bar reimbursement for nonprescription, over-the-counter drugs, an FSA feature that the Internal Revenue Service sanctioned in 2003.

For employers with health care plans covering retirees age 55 through 64, employers will have to determine how to assemble claims information to take advantage of a one-time, soon-to-start $5 billion federal reinsurance program set up by the legislation that will reimburse employers for 80% of each claim between $15,000 and $90,000.

One provision has triggered immediate employer action.

That provision affects employers offering prescription drug coverage

See **HEALTH CARE** page 18

Benefit managers eye impact of reforms

By JOANNE WOJCIK

WASHINGTON—Benefit managers are becoming increasingly concerned as they learn more about the components of the newly passed federal health reform legislation that will affect group plans.

Among provisions generating the greatest concern are extending coverage to employees' adult children until age 26 and to part-time employees who work at least 30 hours per week; eliminating annual or lifetime benefit limits and providing 100% coverage for certain wellness and preventive health care services; a cap on contributions to flexible spending accounts and a ban on the use of those funds to pay for over-the-counter drugs; reducing the value of federal subsidies paid to employers that provide prescription drug coverage to Medicare-eligible retirees; and the fact that neither H.R. 3590, the Patient Protection and Affordable Care Act, nor H.R. 4872, the Health Care and Education Affordability Reconciliation Act of 2010, go far enough to reduce the cost of the health care delivery system.

However, some members of the employer community are relieved that the bill was amended to delay to 2018 from 2014 implementation of a 40% excise tax on "Cadillac" health care plans, for which the cost threshold triggering the tax also was increased to $27,500 from $23,000 in previous legislation for families and $10,200 from $8,500 for individuals.

Some benefit experts also are hopeful that provisions aimed at transforming the health care delivery system and emphasizing wellness and prevention could pay dividends for employers in the future.

"NBCH likes all of the health care delivery reform and value-based purchasing provisions," which "could have a moderating effect on health care costs," said Andrew

See **REACTION** page 20

WORKERS COMPENSATION

Reforms spell changes for workers comp

By ROBERTO CENICEROS

WASHINGTON—Provisions in the health care reform bill President Barack Obama signed last week will affect workers compensation claims costs, directly and indirectly, observers said.

Sections of the measure related to benefits for black lung disease and new fees for medical manufacturers will drive up comp costs, they say.

But the law's potential to increase or offset workers comp costs in general won't be clear until loss data emerges and more is learned about possible shifts in injured worker behavior as millions more U.S. residents gain non-occupational health coverage, sources added.

"There could be some positives and unintended (negative) consequences," that won't be known until the law is implemented, said Rita Nowak, vp of commercial lines and workers comp for Des Plaines, Ill.-based Property Casualty Insurers Assn. of America. "The term 'wait until the dust settles' is really

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VIDEO: ISSUES IN RISK MANAGEMENT

Business Insurance sits down with Sean R. McDaniel, director of claims management for Veolia Environmental Services, to talk about his approach to managing claims for the waste services firm.

PUNCH IN ON THE GO

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HEALTH CARE REFORM FAQ

UNDERSTANDING KEY PROVISIONS

Business Insurance Editor-at-Large Jerry Geisel explains health care reform to benefit managers in an updated FAQ that addresses the sweeping legislation signed into law last week by President Barack Obama. Go to the Health Care Reform section to access the FAQ.

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MOST POPULAR STORIES

Week of March 22, 2010

1. Corporate America weighs in on health law costs
2. Obama signs stopgap COBRA subsidy extension
3. ACE names three execs for risk management unit
4. Aon wins court fight over former exec's deferred pay
5. Republicans, states to challenge health reforms
6. AT&T cites health reform for $1 billion charge
7. Chinese drywall claims significant: Moody's
8. Marsh won't take contingents for U.S., Canada brokerage
9. Obama signs health care reform measure
10. Chubb wins round in asbestos cover fight with Travelers

RMS EVENT

Senior risk managers and industry executives gathered in New York this month for the invitation-only *Business Insurance* Risk Management Summit. To view a slide show of images from the event, click on the Multimedia tab.

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AGENTS & BROKERS

Marsh refuses contingents on core business

By SALLY ROBERTS

NEW YORK—Marsh Inc.'s decision to refuse contingent commissions on some of its brokerage business won partial praise from a risk manager group, while analysts had mixed reactions to the move.

Marsh last week said that it would not accept the incentive payments on its large risk management and middle-market businesses in the United States and Canada, clarifying its stance for the first time since officials lifted a ban on Marsh collecting such pay.

In 2005, the world's largest brokers agreed to give up contingents, change their business practices, and pay more than $1 billion in client restitution to settle allegations and concerns that they steered business to insurers that paid the highest contingent commissions.

After five years of competing on what they said was a different playing field than the rest of the brokerage industry, Marsh, Aon Corp. and Willis Group Holdings P.L.C. reached agreements last month with New York and other state authorities to lift the ban and the rigorous disclosure requirements contained in their 2005 settlement agreements.

Willis quickly responded to the amendment, saying it would not resume collecting contingents on its core retail brokerage business worldwide, citing an inherent conflict of interest in the compensation practice. Aon responded less definitively, saying it has "no current plans" to resume collecting the incentives.

Last week, Marsh said it would not resume collecting contingents within its core brokerage operations in the U.S. and Canada, but will either accept the incentive payments or remain open to the possibility of accepting the payments on the rest of its business.

Marsh's core brokerage operations subject to its ban represented about 40% of the retail broker's $4.32 billion in 2009 revenue, according to a *Business Insurance* estimate.

In separate letters sent to U.S. and Canadian clients last week, Marsh executives said the decision to refuse contingents on this segment of its business was not made out of concern over propriety of the incentives or for managing potential conflicts of interest. Rather, it was in response to concerns raised by clients and because it believes it can be fairly compensated without them.

Marsh said that it will continue to collect "enhanced" commissions and fees from insurers on its operations subject to its ban. Such commissions are fixed in advance of insurance transactions and are not contingent on volume, retention, growth or profitability, Marsh said.

U.S. and Canadian clients will continue to receive detailed disclosure information from Marsh, including all quotes received and compensation information, it said.

Outside of its core brokerage operations in the U.S. and Canada, Marsh is

See **MARSH** page 21

LLOYD'S OF LONDON RECORD YEAR

*Key factors in the London marketplace's 2009 record profit, in billions of dollars**

CATEGORY	2009	2008
Pretax profit	$5.81	$2.85
Gross written premiums	$32.99	$27.01
Investment return	$2.66	$1.44
Combined ratio	86.1%	91.3%

**Earnings reported in British pounds and converted to U.S. dollars. £1=$1.5018.*

Source: Lloyd's of London

INTERNATIONAL

Lloyd's posts record profits as investment returns soar

By MICHAEL BRADFORD

LONDON—After a year of record profits, Lloyd's of London admits that an encore performance will be difficult to achieve in 2010.

Lloyd's profit more than doubled to £3.87 billion ($5.81 billion) in 2009 on strong investment gains and an absence of severe catastrophes, the insurance marketplace reported last week.

Lloyd's also reported a more than 20% growth in premium volume, but much of the increase was attributed to currency fluctuations.

"It's a pretty good year when you can report record results," said Richard Ward, Lloyd's chief executive. He pointed out that Lloyd's was helped in 2009 by a lack of major catastrophes and strong investment returns, but there is no certainty that those conditions can be replicated this year.

Lloyd's gained £1.77 billion ($2.66 billion) on investments last year, an 84.8% increase from 2008.

"Maintaining the investment return is clearly a challenge," said Mr. Ward. Lloyd's benefited in 2009 from a rally in corporate bonds, he added. "It's difficult to see where we will get the returns this year."

"They will be hard pressed to get as good investment returns this year," agreed Paul Bennett, director in the insurance team at accountancy firm Mazars L.L.P. in London. "Lloyd's has traditionally had a very conservative investment portfolio that is heavy in government stocks" and benefited from the way those assets performed in 2009, he said.

Catherine Thomas, managing senior financial analyst at A.M. Best Co. Inc. in London, said that "going forward, given that interest rates remain low and we have seen the rally in the equity and corporate bond markets, I'm not sure they will see that same level of return" in 2010.

Lloyd's avoided major catastrophe losses last year and has not been heavily impacted by big catastrophes that have occurred early this year.

The marketplace did not have significant exposure to the earthquake in Haiti nor Windstorm Xynthia in Europe, Mr. Ward said.

The Chile earthquake will generate losses for Lloyd's, but they should be less than $500 million, according to Mr. Ward. "Clearly with a loss of that magnitude, we will have some exposure, but Chile is far too early to call."

"The Chilean earthquake…could

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FEDERAL LEGISLATION & REGULATION

Financial reform effort gains Senate momentum

Long-sought changes to insurance market part of wider measure

By MARK A. HOFMANN

WASHINGTON—The next few weeks could be critical ones for regulatory reform of the financial services industry, some insurance market observers say.

But many believe that some version of the Restoring American Financial Stability Act of 2010, which passed the Senate Banking, Housing and Urban Affairs Committee last week on a 13-10 party line vote, ultimately will win Senate approval. The measure, drafted by the committee's chairman—Sen. Christopher Dodd, D-Conn.—focuses mainly on noninsurance financial institutions. It does, however, include provisions that would streamline the regulation of surplus lines insurers, create an Office of National Insurance within the Treasury Department to provide insurance expertise to the federal government, and require large financial institutions to establish risk committees including at least one risk management expert.

That provision in particular drew praise from the New York-based Risk & Insurance Management Society Inc., which issued a statement last week saying that "RIMS has long been a proponent of such a measure and applauds the committee's decision to include it."

AP PHOTO

Observers expect the full Senate to take up Sen. Christopher Dodd's bill after lawmakers return from their recess early next month. The House passed its version of financial services regulatory reform in December.

Observers expect the full Senate to take up Sen. Dodd's bill after lawmakers return from their recess early next month. The House passed its version of financial services regulatory reform in December.

"None of the major players are predicting hard timelines, although it seems clear that Sen. Dodd envisions this as a priority for the Senate after the recess," said Leigh Ann Pusey, president and CEO of the American Insurance Assn. in Washington.

"My sense is that they are very serious about trying to get the bill done. I think Republicans are open to getting a good bill done and, from that standpoint, I think the key time frame will be from mid-April to the Memorial Day recess. If there's progress then, we'll certainly have a better feel for whether or not we'll have a final product," Ms. Pusey said.

Joel Wood, senior vp of the Council of Insurance Agents & Brokers in Washington, said while he considers the April-May period critical, "having learned my lessons from a hundred missed deadlines on health reform, I don't think it's absolute. It's the highest priority for Democratic leaders, and I think they'll do whatever's necessary to muscle it through."

"The conventional wisdom is that any legislation that is not completed by July 4 isn't going to get passed with the exception of the budget bills and some of the must-

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MICHAEL MARCOTTE

Frederic Dhers, corporate risk officer for Paris-based Veolia Environnement.

Wide-angle view seen as key for global programs

NEW YORK—The ability to see both the forest and the trees is essential in managing global programs and risks, according to a leading European risk manager.

Frederic Dhers, corporate risk officer for Paris-based Veolia Environnement, outlined his company's approach to global programs to attendees of the inaugural Risk Management Summit March 8-9 in New York.

The summit, presented by *Business Insurance*, brought together dozens of risk managers from some of the largest companies in North America and Europe to discuss four core topics: innovations in risk management, global programs and risks, global regulatory and legislative developments, and counterparty risks. The program included expert speakers on each topic, risk managers-only roundtable discussions and panels featuring senior executives from leading insurance industry companies.

Mr. Dhers provided a keynote speech on the topic of global programs and risks. His remarks were followed by a risk manager-only roundtable and then a panel discussion featuring insurance industry executives. Speakers on the industry panel were: Eric Andersen, chief executive officer of U.S. retail business for Aon Risk Services; and Michael Kerner, CEO of Zurich Global Corporate in North America.

Veolia is a global provider of services to the water, energy, transportation and waste management industries. A view of the company's worldwide operations enables a risk manager to spot trends and patterns that may cause challenges in other part of the business, Mr. Dhers said. In addition, knowledge at the country and local level is critical to protect against coverage gaps in structuring insurance programs, he said.

Additional reporting on the Risk Management Summit will appear in the April 5 issue of *Business Insurance*. For more information, please visit *www.BusinessInsurance.com/RMSummit*.

—By Regis Coccia

ASBESTOS LIABILITY

Court rules Chubb can sue Travelers in asbestos case

Decision seen curbing insurers' willingness to settle liability claims

By ZACK PHILLIPS

NEW YORK—A federal appeals court's ruling involving a trust fund for asbestos liability claims could affect the willingness of insurers to settle such cases, legal observers say.

In a ruling last week, a two-judge panel of the 2nd U.S. Circuit Court of Appeals in New York ruled that Chubb Indemnity Insurance Co. can sue Travelers Insurance Cos. Inc. for allegedly concealing a policyholder's asbestos problems, despite a previous agreement protecting Travelers from future asbestos lawsuits. The decision in the case, *In re Johns-Manville Corp.*, reversed rulings by a district court and bankruptcy court related to Travelers' past role as the primary liability insurer for Manville, a Denver-based insulation manufacturer.

Manville filed for bankruptcy in 1982 under the weight of asbestos liability claims. To deal with the size and complexity of those claims, a federal bankruptcy court judge in 1986 approved a novel settlement establishing the Manville Personal Injury Settlement Trust to settle those claims.

Under the agreement, Travelers and other liability insurers for Manville contributed $850 million to the trust in exchange for immunity from future claims.

But in 2001, new plaintiffs sued Travelers and alleged the insurer either hid or did not properly warn the public about the harmful effects of asbestos. One plaintiff was Chubb, which faced its own claims as an asbestos industry liability insurer but was not part of the 1986 settlement.

Travelers settled with many of the new plaintiffs in 2004, paying $500 million in exchange for a bankruptcy court order that the 1986 accord prohibited new lawsuits. But the 2nd Circuit rejected that order in 2008, saying the bankruptcy court exceeded its

See **MANVILLE** page 22

$850 million

Under the Johns-Manville Corp. bankruptcy court agreement, Travelers and other liability insurers for Manville contributed $850 million to a trust to handle asbestos claims in exchange for immunity from future claims.

INTERNATIONAL

E.U. OKs revised block exemption for insurers

Pooling arrangements protected, formula for market share changes

By MICHAEL BRADFORD

BRUSSELS—The European Commission has adopted a revised Block Exemption Regulation that continues to exempt insurers in pooling arrangements, but with changes that some say could reduce capacity.

The new rule, which goes into effect April 1, also leaves intact the exemption for joint compilations, tables and studies among insurers. Risk managers have favored the exemption they say allows insurers easier access to new markets.

"The block exemption continues to be justified for pools and certain types of information exchange necessary for the industry to be able to carry out its business," Joaquin Almunia, the commission's vp of competition policy, said in a statement last week.

He warned, however, that the commission, "together with the national competition authorities, will see to it that the industry does not use the exemption as a blanket protection and will enforce competition rules where and whenever necessary."

The rule, which remains in effect until March 31, 2017, exempts pools that cover new risks and pools that fall below certain market share thresholds if they cover risks that are not new.

But the regulation changes the market share calculation. Like the current regulation that expires March 31, the new rule includes gross premiums earned within the pool. Unlike the current rule, the new regulation also counts premiums earned by pool members outside the pooling arrangement. Market sources have complained that the change could restrict insurance capacity by limiting the number of exempt pools.

New risks are broadly defined by the regulation to include those that have "changed so materially that it is not possible to know in advance what subscription capacity is necessary in order to cover such a risk," the commission said in the statement.

The new rule no longer exempts agreements among insurers on standard policy conditions or security devices.

The Federation of European Risk Managers has said the practice of insurers to reach agreements on standard policy conditions reduces transaction costs, facilitates the comparison between policy conditions and provides better contract certainty.

Errors & Omissions

A March 15 article, "WTC Captive Settles with 10,000 Cleanup Workers," contained an omission. In 2006, lawmakers accused it of mishandling its funding. However, a 2008 report by the Department of Homeland Security Office of Inspector General found the captive was not in violation of its mandate.

REINSURANCE

Flagstone the latest to switch domiciles

By MICHAEL BRADFORD

HAMILTON, Bermuda—Flagstone Reinsurance Holdings Ltd. is the latest insurance industry company to propose moving its holding company out of Bermuda.

The Hamilton-based reinsurer last week asked shareholders to approve moving the company's domicile from Bermuda to Luxembourg.

The redomestication would take place during the next several months if shareholders and regulators approve, Flagstone said in a statement. In 2008, Flagstone merged its operating units in Bermuda and Switzerland into one Martigny, Switzerland-based company.

In a statement, Flagstone CEO David Brown said, "Luxembourg is a major financial center known for its stability as well as its financial sophistication, and we believe this move will increase our strategic and capital flexibility while maintaining our operating model and our long-term strategy."

Flagstone said the redomestication would have no effect on its operations, with its principal operating center remaining in Switzerland, its existing office in Luxembourg becoming the home of its corporate holding company, and underwriting and executive offices remaining in Bermuda.

In addition, Flagstone Chairman Mark Byrne said the domicile move to Luxembourg "has the potential to make a listing of our common shares on a European exchange more attractive." Flagstone currently is listed on the New York Stock Exchange and Bermuda Stock Exchange.

Several multinational companies also announced a move away from Bermuda since President Obama proposed widespread U.S. tax code changes that include a crackdown on tax havens, stoking fears that others may follow suit.

Last year, broker Willis Group Holdings redomesticated from Bermuda to Ireland, saying that Dublin offers "a more stable environment" among other advantages and would improve its ability to "maintain a competitive worldwide effective corporate tax rate."

Meanwhile, Bermuda has stepped up efforts to combat the stigma, signing a series of tax information exchange agreements with other countries in an effort to remove itself from a list of jurisdictions labeled as tax havens.

DIRECTORS & OFFICERS LIABILITY

Securities class action settlements soar

By ZACK PHILLIPS

The cost of settling securities class action lawsuits in 2009 increased by 35% over 2008, according to a report released last week.

The report by San Francisco-based Cornerstone Research concluded that settlement costs increased in 2009 due to a variety of factors, but still remain below the levels seen between 2005 and 2007. The median settlement in securities class action cases was $8 million in 2009, compared with a median settlement of $7.4 million between 1996 and 2008.

"While the increase in the number of settlements approved was relatively small…in dollar terms, the value of cases settled in 2009 represented more than a 35% increase over the corresponding amount in 2008," the report said.

The 2009 settlements involved financial firms more than other sectors, followed closely by pharmaceutical and high-tech firms. Of the cases involving financial firms, all settlements were for shareholder suits and not for credit crisis-related claims, the report noted.

SECURITIES CLASS ACTION SETTLEMENTS

*The total dollar value and number of settlements of securities class action lawsuits, in billions of dollars**

YEAR	DOLLAR VALUE	NO.
2009	$3.83	103
2008	2.75	97
2007	7.36	109
2006	18.30	90
2005	10.02	119
2004	3.57	110

**Abnormally large settlements include suits against Tyco International Ltd. in 2007, Enron Corp. in 2006 and WorldCom Inc. in 2005.*

Source: Cornerstone Research

In the past four years, plaintiffs and defendants have settled more slowly, taking an average of three and one-half to four years from the filing date. Previously, cases took an average of three years to settle, the report said.

In addition, the report noted that after a dramatic decline in average estimated plaintiff damages in 2008, that figure increased significantly in 2009, although it remains less than 2006 and 2007 levels.

The report identified numerous factors that correlated with higher settlement amounts, including alleged violations of generally accepted accounting principles, having an underwriter or outside auditor named as a defendant, having a pension plan or an institutional investor as a plaintiff, and the involvement of the U.S. Securities and Exchange Commission.

The full report is available at *http://securities.cornerstone.com.*

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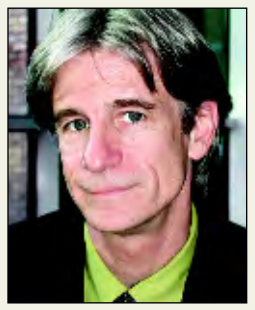
Commentary

Europe's perspective on U.S. health reform



MICHAEL BRADFORD

Senior Editor Michael Bradford can be reached at: mbradford@businessinsurance.com

To say most Europeans are not well-informed about the health care debate in the United States would be putting it mildly.

I can't count the number of times someone in my town near Zurich has asked how I feel about President Barack Obama's zeal for passing European-style health reforms. But I can say that every time I give them my reply, they look shocked and a little indignant.

It's not Europeans' fault that they don't know the gritty details around the health care circus in U.S. politics. They get sound bites of the debate on their news shows and the coverage in their papers is largely slanted in favor of President Obama. His popularity still is high in Europe even as it has ebbed in polls in America.

Most Europeans were unimpressed by polls that showed the majority of U.S. residents wanted Obamacare scrapped, and the president's determination to ramrod the legislation is not a sign to most Europeans that he ignored the will of the people. They see it as gutsy.

With little objective media coverage, it's not surprising that many Europeans view anyone who would dare oppose President Obama's way of revamping America's health care system as mean-spirited and lacking in common sense.

"Why is it so difficult?" a Danish man barked at me recently. "Why doesn't America have what we have had for years?"

America could have a health system like Denmark's, but most U.S. residents are not in favor of total government control.

Most Europeans don't understand that the majority of U.S. residents would like to see health care reform, but are offended by the way the legislation was crafted through backroom deals despite the president's pledge of transparency.

When you point out that many Americans oppose the reforms because they believe the changes have less to do with health care than with government control, you really lose the European audience. Government control is as comfortable here as an old pair of lederhosen.

It does no good to tell Europeans that you oppose Obamacare because it will cost about $940 billion. They are aware of the president's promise that his reforms will save the country money—the same money that will be placed under your pillow by the tooth fairy.

I've talked with U.S. health care professionals who see the reforms as a burdensome government intrusion. But here in Switzerland, I found my doctor among those who are mystified as to why so many U.S. residents oppose Obamacare. "But it will create jobs!" he argued.

That's right. The numbers indicate that about 17,000 new Internal Revenue Service employees will be needed to keep track of whether everyone is purchasing coverage—a vast expansion of government control.

'Why is it so difficult?' a Danish man barked at me recently. 'Why doesn't America have what we have had for years?'

Americans who think Christmas has arrived in the health care legislation should consider what's under the tree in Europe. Granted, here in Switzerland, where coverage is mandatory, you don't have to bring a lunch pail to a doctor's appointment; the Swiss will honor an appointment time. But Americans will not be happy with Swiss-style premiums. The high cost is the reason I chose to keep my coverage with a U.S. insurer rather than opting into the Swiss system.

So much for cost savings from mandated coverage.

Or consider the British system: You can save money under England's National Health Service, but you may suffer through very long waits to access some services. And President Obama's plan to bring tens of millions of new patients into the U.S. system is certainly not going to speed things up.

What I can say to my European friends is that if most Americans had wanted this reform, there never would have been so much heated debate. But in this case, Americans spoke up, but no one in the administration really listened.

THIS IS
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Business Insurance OPINIONS

Reform bill historic, but method a disgrace

DESPITE THE HISTORIC nature of the new health care reform law, it's difficult not to be ambivalent about the measure.

Certainly, the law's crowning achievement is its provisions that will make a huge dent in the number of people in the United States without health insurance by expanding Medicaid and establishing federal health insurance premium subsidies. In all, congressional budget analysts estimate, 32 million people will gain coverage.

The benefits of that expansion of coverage go far beyond the peace of mind to the newly insured and their families. Care will be delivered in many cases in more appropriate settings, such as physicians' offices rather than emergency rooms, and medical problems will be detected and treated sooner, saving not just money but also increasing the likelihood of faster recoveries.

The passage of the legislation, though, is far from the end in the health care reform journey.

On the other hand, the way the legislation was drafted and worked its way through Congress was a disgrace to both parties. From the outset, Republicans seemed more interested in trying to block the legislation than playing a role in fashioning it. Democrats were not much better. With an exception here and there, we doubt that many congressional Democrats were interested in accommodating the views of GOP members.

Ultimately, the nation is the loser for that growing intolerance. No one party has a monopoly on good or bad ideas. A better legislative product would have resulted had members from both parties played a role in shaping it.

The passage of the legislation, though, is far from the end in the health care reform journey. Undoubtedly, changes will be necessary to correct drafting errors and, more significantly, to rewrite certain provisions as problems arise. We hope that second effort truly will be a bipartisan one.

Marsh announcement needs to go further

THE ANNOUNCEMENT by Marsh & McLennan Cos. Inc. that it won't resume taking contingent commissions on much of its business is a step in the direction of equitable insurance placements, but there still is a ways to go.

As we report on page 3, the world's largest broker has pledged not to accept contingents on large and midsize insurance placements in the United States and Canada. Given that the bid-rigging and client-steering scandal unveiled in 2004 centered, rightly or wrongly, on the activities of certain Marsh brokers, Marsh clients and risk managers in general must welcome the move by the brokerage.

But the pledge does not go far enough. Marsh still will accept "enhanced commissions" from insurers for services it provides to them. While these payments will not depend on profit or volume, buyers should be wary of the potential for abuse from any payments by other parties to service providers that are supposed to be serving the best interests of their clients.

More worrying for risk managers is the ambiguity over whether Marsh will accept contingents on international placements. Given the global nature of the insurance market and the corporations it serves, many of Marsh's U.S.-based clients could see contingents collected on parts of their insurance placements. It's a point that the Risk & Insurance Management Society Inc. also noted, calling for Marsh to forgo contingent pay worldwide.

Given Marsh's influence in the world insurance market, the brokerage has the chance to set the benchmark on equitable placement policies. Unfortunately, its latest proposal still falls short.

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THIS WEEK'S RESULTS

Q Will financial services regulatory reform pass this year?

AP PHOTO

Sen. Chris Dodd is leading the path to financial services regulator reform.

For sure 63%

Maybe 27%

No chance 9%

NEXT WEEK'S QUESTION

Q: What impact will health reform have on the number of employers offering health coverage?

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Medical stop-loss rate increases ease

Cost trend ranges widely depending on employers' exposure

By LOUISE KERTESZ

The medical stop-loss market for self-insured employers has ample capacity, but prices range from slight reductions to 60% increases for those with high exposures and a poor claims history, experts say.

"The (medical stop-loss) market is very similar to a couple of years ago," said John Snyder, CEO of Medical Excess L.L.C., in Costa Mesa, Calif., a unit of Chartis Inc. "Rate (increases) are all across the board, same as last year. Rates can run as high as 50% to 60% in accounts with ongoing exposures," he said.

While aggregate medical stop-loss coverage—a form of reinsurance that caps a self-insured employer's medical liability at a certain total dollar level—remains inexpensive, most large employers don't buy aggregate stop-loss coverage because they believe their claims are predictable and they can budget for them, experts say.

Most self-insured employers do buy specific stop-loss coverage, which covers individual claims that are higher than a certain amount.

"The market is still pretty good," said Donna Cowden, senior vp at Aon Consulting in Charlotte, N.C. "In looking at January increases, we've seen (the rate increase) trend come down just a little," she said.

Some insurers have even quoted less expensive medical stop-loss cover to win business. But, Ms. Cowden said, "That's when the red flag goes up. The immediate savings could be great for an employer, but we have to make sure it's a very clean move" to the new insurer and there are no disclosure issues that would result in claim denials.

"The economy is coming into play," said Mark McCarville, vp and actuary for ING Employee Benefits in Minneapolis, a division of ING Group N.V. "In the past, you could count on clients sticking with you, but now the brokers are shopping the business more. I sense there's a lot more movement." While new-business pickup is strong, ING's lapse rate also increased in the past two years, he said.

Dave Parker, Tampa, Fla.-based senior vp of sales and marketing for Buffalo, N.Y.-based third-party administrator Meritain Health Inc., also said stop-loss rate increases have slowed from 10% to 12% to 8% to 10% in recent years.

Medical stop-loss rate hikes always will be higher than general medical increases, sources said. That is because of what is known as leveraged trend: As the underlying medical costs increase, insurers must pay the additional costs above the deductible. That requires employers to either increase their deductible or pay an even higher rate to maintain their deductible.

Employer plan lifetime maximums also continue to increase, well above the $1 million that was standard years ago, said Rich McCabe, a director in PricewaterhouseCoopers L.L.P.'s human resources services practice.

Catastrophic claims for specific stop-loss cover also are increasing.

"Everything is getting more costly and there seems to be a sense of jumbo claims, big claims that hit all at once," Meritain's Mr. Parker said.

"We're seeing more claims in excess of $500,000 than we did five years ago," said ING's Mr. McCarville.

"There has been a continuing surge in catastrophic claims," said Dave Wilson, president of Windsor Strategy Partners L.L.C., in Princeton Junction, N.J., which provides actuarial services and mathematical modeling to insurers and employee benefit consulting. The average catastrophic claim larger than $7 million increased 52% from 2008 to 2009, to $13 million, according to data of clients of Windsor Strategy and Verisk Health.

The average stop-loss trend, or rate of increase, is about 15% and continues to be about twice the medical trend, said Tom Billet, senior consultant at Towers Watson & Co. in Stamford, Conn.

"If your experience is clean and you had no significant claims com-

See **STOP-LOSS** page 12

Self-Insurance & Claims Management SPOTLIGHT

LARGEST WORKERS COMPENSATION TPAS

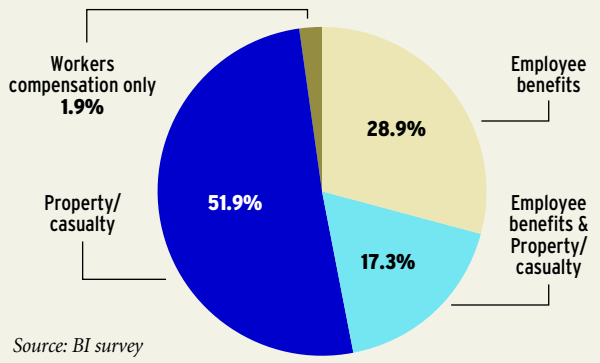
Ranked by workers compensation claims paid in 2009

Company	Claims paid
Sedgwick Claims Management Services Inc.	$3,882,247,281
Gallagher Bassett Services Inc.	$3,540,000,000
Specialty Risk Services L.L.C.	$1,914,000,000
Broadspire Services Inc., a Crawford Co.	$1,600,000,000
TRISTAR Risk Management	$687,000,000
Cannon Cochran Management Services Inc. dba CCMSI	$675,000,000
Helmsman Management Services L.L.C.	$537,865,000
Avizent	$453,358,346
Pinnacle Risk Management Services	$450,000,000
Underwriters Safety & Claims Inc.	$386,000,000

Source: BI survey

TYPE OF CLAIMS ADMINISTERED

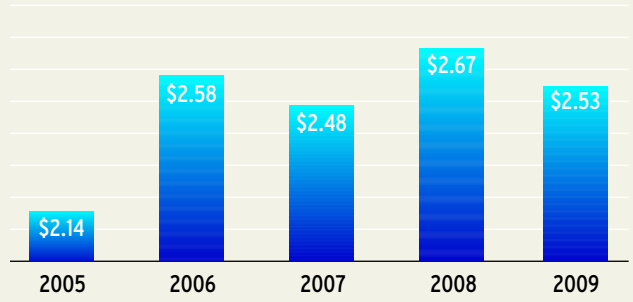
Type of claims handled by all companies listed in the directory



Source: BI survey

GROWTH OF TPAS

As a group, the 10 largest TPAs' revenue from self-insured clients has fluctuated the past five years. Revenue in billions of dollars.



Source: BI survey

Largest third-party claims administrators

Ranked by 2009 revenues from claims handled for self-insured clients

Rank	Company/Address	Phone/Web site	Parent company	2009 revenues from self-insured clients	2009 claims paid	Total clients	Claims staff	Principal officer
1	**Sedgwick Claims Management Services Inc.** 1100 Ridgeway Loop, Memphis, Tenn. 38120	901-415-7400 *www.sedgwickcms.com*	Fidelity Sedgwick Holdings Inc.	$600,592,469	$6,712,635,786	952	5,792	David A. North, president/CEO
2	**Gallagher Bassett Services Inc.** The Gallagher Centre, 2 Pierce Place, Itasca, Ill. 60143-3141	630-773-3800 *www.gallagherbassett.com*	Arthur J. Gallagher & Co.	$392,000,000	$5,600,000,000	3,320	2,528	Scott Hudson, president
3	**UMR Inc.**[1] 11 Scott St., Suite 100, Wausau, Wis. 54403	866-682-0800 *www.umr.com*	UnitedHealthcare Group Inc.	$374,400,000[2]	N/A	1,100	N/A	Jay M Anliker, CEO
4	**Broadspire Services Inc., a Crawford Co.** 1001 Summit Blvd., Atlanta, Ga. 30319	800-726-8898 *www.choosebroadspire.com*	Crawford & Co.	$242,247,706	$2,657,000,000	760	1,728	Ken Martino, president/CEO
5	**ESIS Inc.**[1] 436 Walnut St., Philadelphia, Pa. 19106	215-640-1000 *www.esis.com*	ACE Ltd.	$198,000,000[2]	N/A	N/A	N/A	David Patterson, president
6	**Meritain Health** 300 Corporate Parkway, Buffalo, N.Y. 14226	800-242-6226 *www.meritain.com*	Prodigy Health Group Inc.	$194,097,000	$2,424,105,631	1,700	272	Elliot Cooperstone, CEO
7	**Specialty Risk Services L.L.C.** 55 Farmington Ave., Suite 501, Hartford, Conn. 06105	888-236-4684 *www.specialtyriskservices.com*	Hartford Financial Services Group Inc.	$187,617,000	$2,644,000,000	1,313	1,172	A. Joseph Boures, president
8	**Xchanging Claims Services**[3] O'Hare Plaza, 8755 W. Higgins Road, 11th Floor, Chicago, Ill. 60631	877-782-4101 *www.xchanging.com*	Xchanging P.L.C.	$112,500,000[2]	N/A	285	774	David Andrews, CEO-Xchanging P.L.C.
9	**Principal Financial Group/National Accounts** 1275 N.W. 128th St., Suite 100, Clive, Iowa 50325	877-273-0900 *www.principal.com*	—	$99,385,994	$1,948,031,876	310	438	Renee Schaaf, vp-national accounts
10	**CoreSource Inc.** 400 Field Drive, Lake Forest, Ill. 60045	800-832-3332 *www.coresource.com*	Trustmark Insurance Co. Inc.	$90,220,347	$3,015,097,996	717	1,028	Paul Lotharius, president/CEO

1 UMR Inc. and ESIS Inc. did not respond to the survey. 2 BI estimate. 3 Purchased Cambridge Integrated Services Group Inc. in January 2009. N/A=Not available.
Source: BI survey
Researched by Kevin Edison and Karen Tucker

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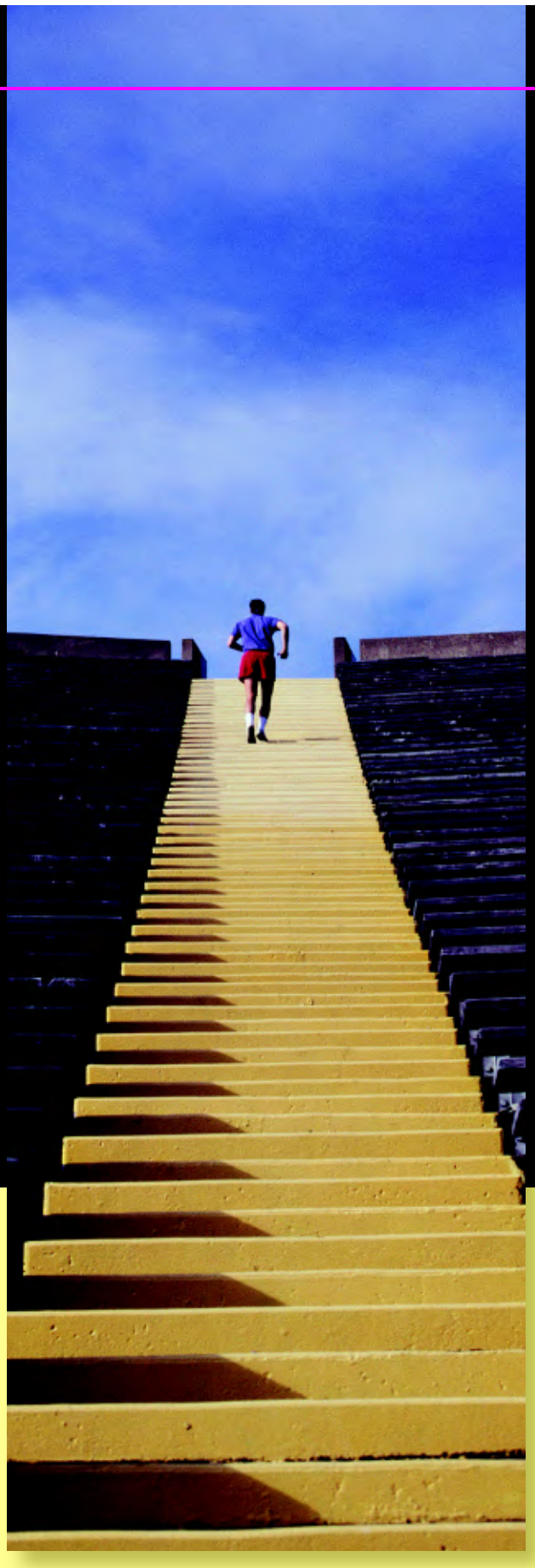

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Stop-loss: Catastrophic claims increasing

CONTINUED FROM PAGE 9

ing through, the increase would typically be 15%," Mr. McCabe agreed.

"We want to build a long-term relationship with our clients, with steady and fair rate increases year after year. If a group has a terrible year, we don't want to hit them with a 70% rate increase. But if claims are running real well," meaning no major claims, "employers have to expect the 15% to 20% rate increase" in specific stop-loss rates to cover underlying medical cost increases, Mr. McCarville said.

With the skyrocketing costs of specialty drugs, particularly for cancer chemotherapy, a significant new trend is that some employers are purchasing stop-loss for their specialty drug expenses, which can run $7,500 to $15,000 a month per patient, said Aon Consulting's Ms. Cowden.

Some employers that are confident about their medical claims to assume that risk are going without medical stop-loss and purchasing only prescription drug or specialty drug stop-loss coverage, she said.

To mitigate rate increases, employers are looking to several strategies, including increasing their deductibles.

"It was once unusual to see an attachment point above $250,000, but we see more at $350,000 now," Towers Watson's Mr. Billet said.

Mr. McCarville said ING encourages employers to raise their deductible to keep rates steady and more employers are doing so. Rate increases of 20% to 30% "are real common if the employer doesn't change the plan design" and move to a higher deductible, he added.

The size of the deductible is a client-by-client decision, said Mr. McCabe. In evaluating how much risk they can assume, "smaller self-insured employers have to be fairly conservative setting their individual limits," he said.

Organ transplants

Another employer strategy is carving out organ transplant claims from a stop-loss policy.

"We've written more than 1,000 accounts in our organ transplant carve-out product line," Mr. Snyder said. The majority of those self-insured accounts received discounts from their stop-loss insurers, which "makes renewing stop-loss much less challenging," he said.

Employers also are trying to mitigate underlying claims costs "through wellness programs and using data-mining tools to help them understand where the risk factors are and implement programs to help employees take care of themselves" and avert future claims, Mr. Snyder said.

Meritain Health spends a lot of time "talking with our brokers and clients about the importance of implementing some sort of wellness plan that can dive much deeper into the overall claims of the group than a preventive program," Mr. Parker said.

To get a new group engaged in wellness, Meritain Health includes a voluntary biometric screening test as part of its administrative services. Clients can pay a reduced cost for the test as a claim under their plan, he said.

Employers also try to keep rates down by "lasering" out individual employees with ongoing high claims and setting separate, higher deductibles for them. But Mr. Wilson noted that "the industry is pretty poor at lasering. There just isn't the data there or the knowledge in the clinical support people to see how a case will progress." The result often is that the attachment point is set too high or too low, he said.

To help control rate increases, ING has introduced a program called Cap It, which guarantees an employer's rate increase at the next renewal will not exceed an amount determined client-by-client and that no claims will be lasered out because they are too high. The program requires an employer to purchase some form of ING group life coverage, Mr. McCarville said.

Munich Re America's program is similar in guaranteeing a maximum renewal rate without lasering. This is "a good tool for employers…in an environment where they expect surprises," Mr. Wilson said.

Smaller employers that have been hit with a large claim or a very large rate increase are exploring going back to an insured option to make costs more predictable, and ING has lost several groups to that route, Mr. McCarville said.

"It isn't necessarily a brand-new trend, but one that we began to see as the economy tumbled," an ING spokesman said. "As the economy began to turn, some employers wanted more stability and predictability in the medical benefits cost."

Q&A

Waste services firm Veolia Environmental Services North America Corp. has a workforce of more than 10,000 employees and a fleet of more than 3,000 vehicles in three divisions: solid waste, industrial services and technical solutions. Business Insurance sat down with Sean R. McDaniel, director of claims management for Veolia Environmental Services, to talk about his approach to claims management.

Much more than trash

Q: Are claims from those divisions handled by your TPA?

(The claims are for) workers compensation, general liability and auto liability. We certainly have some property liability that we deal with, certainly some environmental liabilities as well, but our TPA (Sedgwick Claims Management Services Inc.) is primarily (for) the casualty side.

Q: Roughly how many claims do you handle per year?

We have about 1,000 workers compensation claims and about 1,100 liability claims a year and it's probably an 80%/20% split between lost-time and no lost-time claims.

Q: How would you summarize your approach to managing claims?

Very hands-on and we're able to do that through a third-party administrator that has adapted to our philosophy of claims management. Over the years, we've gotten away from the traditional claims management services scope of using regional offices and having a designated team to handle our claims. Now we have evolved two dedicated units: One for liability, and they handle our claims nationwide out of Brookfield, Wis.; and a national workers comp dedicated unit in Irving, Texas, for workers comp liabilities (other than states where claims have to be handled locally).

Q: How have you changed how you handle claims in the past few years?

We're constantly tweaking and looking for elevating the service level with our team. We were very hands-on in selecting our colleagues over the years, and allowed them an environment to grow themselves to see where they excel. So we've fostered various skill sets within individuals within our units. For example in our liability unit in Brookfield, we have a gentleman who effectively attends all our mediations, a great deal of depositions that we're involved in, and his goal is to try and get claims resolved strategically and quickly. And he has been known to garner great results for us with his style and his technique. And we've tried to have others follow him in the unit to kind of come along with him, to kind of get into his head.

Q: What environmental claims issues do you face?

You know it's funny, when people think of garbage they think landfills and that's got to be a pretty big environmental risk, and oddly it is not. The technology and the science that's gone into keeping those landfills safe has been quite an education for me. We have more of our environmental liability in hauling and transporting wastes. Some spills we'll have from time to time. Maybe a boil over or a fire from time to time where they'll be some contamination escaping into the air, but even those are few and far between. So I'd have to say the environmental risk in our business is probably extremely low, as compared to our casualty. I think we're more of a transportation company when you think about our risk, because we're out on the road.

Q: How many staff do you have?

I'm it in terms of claims management is concerned. I have a boss, a vp of risk management based out of Chicago. And then we have a risk analyst or an insurance expert in our group as well who deals with those types of issues for renewals and surety bonds and things of that nature. And then we rely very heavily on our partners outside of our own internal group. So our TPA is very important to us. Our consultants are important to us. We rely on a global broker and their skill sets to help us with claims management from time to time. We also have an actuarial number cruncher, who also has some other skill sets in claims management and risk management information systems as well. So that's really our team.

WATCH a video of Veolia's Sean R. McDaniel online at www.BusinessInsurance.com

Self-insurers split on using TPA for Medicare reporting

Some choose to use independents for Medicare compliance

By ROBERTO CENICEROS

Most self-insured employers have their third-party administrator manage their Medicare reporting and compliance requirements, but others have turned to independents, several sources say.

The independent companies specialize in Medicare Secondary Payer compliance and reporting requirements under Section 111 of the Medicare, Medicaid and SCHIP Extension Act of 2007.

Cost considerations, settlement speed and administrative ease are among issues at stake for employers and the subject has stirred debate among providers about which model best serves self-insured employers.

Section 111 of the 2007 law requires parties that are deemed to be responsible reporting entities, including self-insured employers, to notify the U.S. Centers for Medicare & Medicaid Services when there is any workers compensation, liability or no-fault claim with a medical component that involves Medicare-eligible beneficiaries.

The reporting requirements, conditional payments and set-aside arrangements are a 'three-headed monster.'

Ken Paradis,
Crowe Paradis Services Corp.

Meanwhile, Medicare secondary payer provisions prohibit Medicare from paying for medical care when payment is available from insurance plans, such as a workers compensation or general liability insurance settlement.

Medicare secondary payer compliance includes reimbursing Medicare for medical care conditional payments it has made when coverage is available through an insured or self-insured plan. Medicare makes the payments on the condition that it will be reimbursed in such cases.

Compliance also includes Medicare set-aside arrangements, which require parties settling a workers comp claim to reserve funds from the settlement for a claimant's future medical expenses.

The reporting requirements, conditional payments and set-aside arrangements are a "three-headed monster," said Ken Paradis, CEO of North Reading, Mass.-based Crowe Paradis Services Corp., a Medicare secondary payer compliance company.

They need to be considered jointly because Section 111 reporting provides CMS with a "treasure map" to find conditional payments or push for set-aside arrangements, Mr. Paradis said.

When seeking conditional payments, CMS sometimes incorrectly has charged employers for medical costs that are not part of an underlying claim. An example would be a claimant who is treated at a hospital for a workers comp injury and, while there, receives care for an unrelated health condition, Mr. Paradis said.

He said his company specializes in negotiating down charges CMS seeks to collect from employers.

But conditional payments cannot be negotiated to reduce inaccurate charges 60 days after a claim has settled, Mr. Paradis said. After 60 days, the conditional payment turns into a lien. So claims adjusters need information to help them determine an appropriate conditional payment amount early on, before a claim reaches settlement and Section 111 reporting is completed, Mr. Paradis said.

But not all TPAs possess the expertise and technology required to provide their claims adjusters with that information, Mr. Paradis said.

Some TPAs that offer Medicare compliance and reporting services handle it in-house, but many contract with specialty vendors to handle those tasks, several sources said.

David Richard, senior vp and chief technology officer at F.A. Richard & Associates Inc., said the Mandeville, La.-based firm has in-house Medicare compliance experts.

Specialty providers have convinced some self-insured clients that TPAs do not possess the needed expertise, but Mr. Richard said his TPA saves time by not passing data and claims reports to an outside provider handling Medicare compliance and reporting. His company's adjusters can share claim file information and collaborate with their colleagues specializing in Medicare compliance, he said.

Allowing a TPA to manage Medicare reporting and compliance is more efficient, said Tom D. Pfingstag, senior vp and director of program management at TPA Sedgwick

See **MEDICARE** next page

Medicare: Self-insurers split on using TPA

CONTINUED FROM PREVIOUS PAGE

Claims Management Services Inc. in Memphis, Tenn.

"The ability for us to share information electronically within our four walls obviously makes it significantly quicker and easier to do in-house rather than sending it out," Mr. Pfingstag said.

The potential of losing sensitive data also increases when another provider is included in servicing a claim, he said.

Ellen Vinck, director of risk management for the San Diego-based BAE Systems Ship Repair Inc., said it made sense for her TPA, F.A. Richard, to handle Medicare reporting and compliance because it already manages the other aspects of claims against her company.

"They already have all the information, so it seemed silly not to have them do it," Ms. Vinck said.

But many large self-insured employers turn to Bradenton, Fla.-based Gould & Lamb L.L.C. to consolidate their Medicare compliance efforts when they contract with multiple TPAs, said John Williams, CEO and president of Gould & Lamb L.L.C., which specializes in Medicare compliance services.

Consolidation eases large, self-insured employers' administrative burden because they otherwise would have to register each TPA with the government and obtain proof from each TPA that it meets government mandates to avoid penalties for noncompliance.

"For a self-insured (employer) with a large program that has multiple TPAs involved, from a management prospective, our process is simply easier to work with," Mr. Williams said.

Self-insured employers hiring the independent vendors to oversee their Medicare compliance most often do so because they contract with multiple TPAs, Sedgwick's Mr. Pfingstag said.

Adjusters learn lessons from major cat losses

Hurricanes, quakes provide difficult working conditions

By JEFF CASALE

August marks the fifth anniversary of Hurricane Katrina, but memories of the most destructive storm in recorded U.S. history are still fresh in the minds of the claims adjusters who worked in its aftermath.

Many claims adjusters who worked in New Orleans after the Category 5 hurricane hit Aug. 29, 2005, say it was the catastrophe that changed the way catastrophic events are handled. It forced people who usually worked independently to work together; posed claims-handing challenges in nearly every stage from communication to resolution; and tested the mental, emotional and physical states of all involved to rebuild a devastated region.

"Katrina was the most (challenging) storm the insurance industry had experienced to date," said Rich Lafayette, Atlanta-based vp global technical services unit and managing director of the Southeast region for Crawford & Co. "It made us rethink how to handle catastrophe claims completely because there was so much damage and there was so much demand (for services)."

For most adjusters handling losses after Katrina, finding lodging, food and fuel were difficult. Gaining access to loss sites and getting in touch with policyholders was, at times, impossible. Some main roads into New Orleans and surrounding areas were washed out. Those that were open were heavily guarded by law enforcement and the U.S. National Guard.

'You want to make sure you tell the policyholder that you are there to help them and to gain their trust.'

John Green, VeriClaim

Compounding problems was the heavy damage to much of the Crescent City's infrastructure, including cell phone towers and landlines, which made contacting policyholders difficult.

"E-mail was better than phones most of the time in New Orleans," said Jack Petersen, general executive adjuster with Naperville, Ill.-based VeriClaim Inc. "The city was completely devastated and it was very chaotic down there. It was difficult to get in touch with people and stay in touch with people."

Mr. Petersen, now 59, started working catastrophe claims in 1973. In 2005, he considered himself one of "the lucky ones," because he was able to secure a room in a hotel that was operating days after Katrina hit, even though it was damaged. Other adjusters had to drive up to six hours a day to visit sites where claims had been made.

"You would spend the whole day out adjusting losses in adverse working conditions and would come back to a hotel that had no

Continued on next page

THE TIMES-PICAYUNE/LANDOV

Major catastrophes often require claims adjusters to change the way they handle such events and can lead to difficult working conditions.

noting that each day adjusters had to go through security to get a new identification badge. That process, he said, would take almost half a day.

"One of the most emotional experiences I had was when I was working on a building near ground zero and I would hear these sirens going off and everyone would stop working," Mr. Lafayette said. "This was because they would have found a body in the rubble of the World Trade Center and they would stop work and have the body removed. After the body was loaded up and taken away, people would begin working again until the siren went off again. It was just an emotional roller coaster."

Each catastrophe has its own stress trigger, said Mr. Lafayette, who also handled commercial claims after the 1994 North Ridge, Calif., earthquake.

Most adjusters that worked Katrina claims said it was the most difficult catastrophe due to the extent of the damages, long work hours and difficulty in accessing loss sites.

For Richard Booker, a 53-year-old executive general adjuster for GAB Robins Group of Cos. in Jackson, Miss., it was the most stressful because the storm was close to home.

"The hardest thing about Katrina was it was home," said Mr. Booker, who has worked his fair share of disasters in 31 years. "When you're working a disaster away from home, it's different because all you have to focus on is the claims. With Katrina, I was handling claims, but I was also handling things back home, which was difficult at times."

Cat claims handling has evolved through the use of technology, but adjusters still must learn to deal with high volumes of claims, long hours and being away from home up to six months in major disasters.

"I handled my first cat in the mid-1980s," said Mr. Petersen. "You learn to handle the challenges they present through experience. You handle high volumes and unusual losses and you're learning to deal with the logistics of different situations. You have to learn to work smarter and not harder."

CONTINUED FROM PREVIOUS PAGE

services or amenities," said Mr. Lafayette, 57, who has been handling cat losses for 36 years. "We would be taking showers with bottled water."

Catastrophes—natural and man-made—pose difficult challenges for policyholders and adjusters alike.

"A lot of the time, it's the first time an insured has been through a situation like that, especially one as severe as a hurricane or earthquake," said John Green, Dallas-based executive general adjuster with VeriClaim. "You want to make sure you tell the policyholder that you are there to help them and to gain their trust. You let them know that you know their business and how they perform. That kind of thing goes a long way."

Mr. Green recently returned from Santiago, Chile, where he spent the better part of a week adjusting commercial building losses after an 8.8 magnitude earthquake rocked the South American country. Though the capital is about 300 miles from the quake's epicenter in Concepción, many of Santiago's buildings, roads and homes sustained significant damage, Mr. Green said.

Though the infrastructure damage was not as bad as after Katrina, Mr. Green said there were other barriers that made handling claims difficult, including a language barrier. Mr. Green said he was thankful that the policyholders he worked with knew English as well as Spanish.

While both can be devastating, earthquake and hurricane losses differ dramatically. Unlike earthquakes, hurricane losses don't always require an adjuster to examine commercial site losses with engineers and construction consultants, Mr. Green said, noting that both can result in extreme business interruption situations.

Then there was the Sept. 11, 2001, terrorism that destroyed the World Trade Center towers in New York and resulted in widespread damage in and around ground zero.

Mr. Lafayette, who spent 14 months handling those claims, said the New York terrorism resulted in the most emotionally draining loss of his career. After living and working in New York for nine years, he said he knew some of those who lost their lives in the towers' collapse.

Getting to ground zero each day was difficult, Mr. Lafayette said,

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LEGAL NOTICE

IN THE HIGH COURT OF JUSTICE (CHANCERY DIVISION)
COMPANIES COURT NO. 1975 OF 2010
IN THE MATTER OF MITSUI SUMITOMO INSURANCE CO., LTD.
And IN THE MATTER OF BOSWORTH RUN-OFF LIMITED
And IN THE MATTER OF THE FINANCIAL SERVICES AND MARKETS ACT 2000

NOTICE IS HEREBY GIVEN that on 8 March 2010 Mitsui Sumitomo Insurance Co., Ltd. (formed in Japan in October 2001 by the merger of Mitsui Marine & Fire Insurance Company Limited (formerly Taisho Marine & Fire Insurance Company Limited) and The Sumitomo Marine & Fire Insurance Company Limited) (**"MSI"**) applied to the High Court of Justice for:

1. an Order under Part VII of the Financial Services and Markets Act 2000 (the **"Act"**) sanctioning a scheme (the **"Scheme"**) providing for the transfer to Bosworth Run-off Limited (**"Bosworth"**) of certain insurance and reinsurance business of the UK branch of MSI; and

2. an Order making ancillary provision in connection with the implementation of the Scheme under Section 112 of the Act.

The proposed transfer will result in certain insurance contracts and inwards and outwards reinsurance contracts underwritten by the Reinsurance Department (including predecessor departments) of MSI in Japan for 1993 and prior underwriting years carried on by MSI in the UK being carried on by Bosworth. The proposed transfer will secure the continuation by or against Bosworth of any legal proceedings by or against MSI that relate to rights and obligations in respect of the transferred business. All claims being dealt with before the transfer by MSI will following the transfer be dealt with by Bosworth; all claims arising after the transfer will be dealt with by Bosworth.

The application is directed to be heard before the Companies Court Judge at the Royal Courts of Justice, Strand, London WC2A 2LL on 19 May 2010 and any person (including any employee of MSI or Bosworth) who alleges that he or she would be adversely affected by the carrying out of the Scheme may appear at the time of that hearing in person or by Counsel. Any person who intends so to appear, and any policyholder or reinsured of MSI or Bosworth who dissents from the Scheme but does not intend so to appear, is requested to give not less than two clear days' prior notice in writing of such intention or dissent, and the reasons therefor, to the solicitors named below.

Copies of a report on the terms of the Scheme prepared pursuant to Section 109 of the Act (the **"Independent Expert's Report"**) and a statement setting out the terms of the Scheme and containing a summary of the Independent Expert's Report can be accessed at: www.msi-bosworth-transfer.com
and will be provided free of charge by the solicitors named below.

Lovells LLP (Ref: C1/NC/TJG), Atlantic House, Holborn Viaduct, London, EC1A 2FG
Tel: +44 (0) 20 7296 2000, Fax: +44 (0) 20 7296 2001
Solicitors for Mitsui Sumitomo Insurance Co., Ltd.
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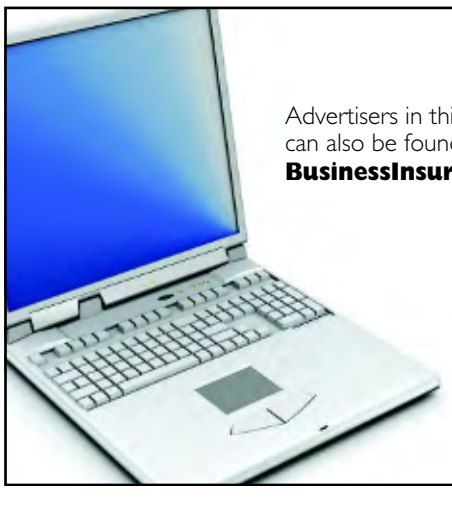

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UP Comings & Goings CLOSE

MARK REAGAN

NEW JOB TITLE: New York-based chairman of Marsh Inc.'s global construction practice

PREVIOUS POSITION: Parsippany, N.J.-based managing director of Aon Risk Services' construction services group

GOALS FOR NEW POSITION: Marsh has had a presence in the construction industry for a long time. We have been known to represent builders and construction only, and we want to change that misconception. We plan to use our experience to get us more involved in what we call the "waterfront" of construction, from capital formation and project conceptualization through to design and finalization of the planning, and the financing and into the construction phase itself. We want to bring the best techniques of risk management to the entire project.

INDUSTRY OUTLOOK: I think the construction industry is looking at a reasonably grim future. I don't want to seem to negative, but there won't be much positive growth this year. Given that half of construction is housing, we may see an uptick in the second to third quarters of 2011.

ADVICE: Ask the best questions. There are no stupid questions. The question you don't ask is the only stupid question.

OUTSIDE THE INDUSTRY, A DREAM JOB: I've always wanted to be a teacher or a writer. I have a book of published poems called "Being, Not Dead." I had a heart transplant back in 2003, having been sick for eight years prior to that. After I had the transplant, I was inspired to write poems. I hadn't missed a day of work for 17 years and then in 1995 got really sick after one weekend of not being able to sleep. Then they told me I needed a transplant. For the longest time, I had a number of cardiac events. I had been in hospitals...been in the back of ambulances. I had to be defibrillated three times. All through that, one doctor said, "We are trying to get you your life back." So I was being, not dead.

E-MAIL OR PHONE, AND WHY: I prefer phone. I am a little old-fashioned. When I write things in e-mail it tends to sound too blunt, whereas tone of voice isn't lost on the phone.

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.

TO SUBMIT ITEMS

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:

Mike Tsikoudakis
Business Insurance
360 N. Michigan Ave.
Chicago, Ill. 60601-3806

mtsikoudakis@businessinsurance.com

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INSURERS:
- Acadia Insurance Co.
- Chartis Inc.
- Markel International Ltd.

OTHER PROVIDERS:
- Aon Consulting
- Segal & Co.

Market Moves

Guy Carpenter moves N.Y. headquarters

NEW YORK—Guy Carpenter & Co. L.L.C. has moved its New York headquarters.

Guy Carpenter, a reinsurance broker unit of Marsh & McLennan Cos. Inc., has moved to 1166 Avenue of the Americas, New York, N.Y., 10036. The 44-story Midtown Manhattan structure is partially owned by MMC.

Guy Carpenter, which has offices worldwide, said its phone and fax numbers remain the same.

For more information, call 917-937-3000 or visit *www.guycarp.com*.

Aon to acquire J.P. Morgan pension, comp businesses

CHICAGO—Aon Consulting, a unit of Chicago-based Aon Corp., said it has signed a definitive agreement to acquire J.P. Morgan Compensation and Benefit Strategies.

The unit of Kansas City, Mo.-based J.P. Morgan Retirement Plan Services L.L.C. provides compensation, retirement and health care actuarial services to benefits plans.

In an e-mail, Aon Consulting said J.P. Morgan Compensation and Benefit Strategies will change its name, be folded into Aon Consulting and its employees had received job offers from Aon.

Through the acquisition, Aon Consulting says it aims to grow its business in markets such as Boston, Chicago, Dallas, Denver, New York and St. Louis with approximately 150 new employees.

The deal, for which the financial terms were not disclosed, is expected to close by March 31.

Risk International Services enters European market

LONDON—Risk management consulting company Risk International Services Inc. says it has entered the European market with a London-based team.

RI Solutions Ltd. is the newly formed London unit of Fairlawn, Ohio-based Risk International, the company said in a statement. RI Solutions offers risk management services to clients with European holdings.

"We have many clients with significant holdings in the (European Union)," said Risk International President and CEO Michael D. Davis. "Within the E.U., the demand for measurable improvements in how risk is managed has never been stronger."

Clifford Perkins and Nick Gardener have been appointed as directors of RI Solutions in London. Previously, Mr. Perkins was director at CF Advisory Services Ltd. and Mr. Gardener was group risk and health and safety executive manager for Elementis P.L.C.

RI Solutions is located at 148 Leadenhall St., London, England, EC3V 4QT. The telephone number is +44-(0)-20-3178-5537.

Starr Indemnity, Chubb enter work comp deal

NEW YORK—Starr Indemnity & Liability Co. Inc. and Chubb & Son Inc., a unit of Chubb Group of Insurance Cos., have entered into an underwriting agreement for workers compensation coverage.

Under the agreement, Warren, N.J.-based Chubb will provide workers compensation coverage to Starr Indemnity's construction, energy and environmental clients.

In a statement, the companies said Starr Indemnity's target segment includes contractors, energy resources customers, energy and environmental consultants, and manufacturers of energy or environmental-related products.

Starr Indemnity will underwrite the coverage directly, the companies said.

"This arrangement provides Starr Indemnity with a complete solution for our customers in the construction, energy and environmental industries by complementing our existing broad array of product offerings," said Charles H. Dangelo, president and CEO of Starr Indemnity, in the statement.

Starr Indemnity is a New York-based unit of C.V. Starr & Co. Inc.

Broker SBJ Global Risks rebrands, changes name

LONDON—SBJ Global Risks Ltd., an independent insurance and reinsurance broker based in London, has rebranded and changed its name to Lonmar Global Risks Ltd.

The name change, effective March 11, came after directors of SBJ Global Risks negotiated a management buyout from AXA Advisory Holdings Ltd., which was completed in August.

According to a statement, the Lonmar Global Risks brand aims to align the broker with the London insurance market and the company's global scope.

"Since the completion of our management buyout from AXA six months ago, we have been successful in moving the business forward in this highly competitive market," said Simon Rice, CEO of Lonmar Global Risks. "We believe that our independence is an important factor in this continued development; and by rebranding the company as Lonmar Global Risks, we are underlining this virtue."

What now is called Lonmar Global Risks began trading in 1977 as Steel Burrill Jones Group Ltd. and operated as SBJ Global Risks, which AXA acquired in 2008.

TO SUBMIT ITEMS

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

HEALTH CARE REFORM

Reform: Employers begin work to comply with law

CONTINUED FROM PAGE 1

that is at least equal to Medicare Part D to Medicare-eligible retirees. Under a 2003 law, those employers are eligible for tax-free government reimbursement of 28% of prescription drug expenses that fall within a certain range.

The health care reform law, though, will negate the value of that tax break, effective in 2013. While the government-provided subsidies, which experts say run more than $500 per retiree, will continue to be tax-free, employers collecting the cash no longer will be able to take a tax deduction for retiree prescription drug costs equal to the subsidy.

That tax break change, which must be reported immediately under accounting rules, led three large employers to report charges to earnings last week. AT&T Inc. in Dallas reported a roughly $1 billion charge, while Peoria, Ill.-based Caterpillar Inc. reported a $100 million charge and Moline, Ill.-based Deere & Co. reported a $150 million charge related to loss of the tax break.

"There will be serious blows to companies' financial statements," said Helen Darling, president of the National Business Group on Health in Washington.

"You are going to see some pretty big numbers," said Dave Osterndorf, chief health care actuary with Towers Watson & Co. in Milwaukee. The dilution of the tax break and the health care law's gradual expansion of Part D prescription drug coverage will lead to more employers questioning whether they want to continue to offer the coverage, he added.

Other looming compliance burdens include a new requirement mandating employers to report on W-2 income statements distributed in 2012 the cost of employer-provided health care coverage and amending FSAs to cap employees' pretax contributions at $2,500. Currently, there is no federally imposed limit on FSA contributions.

In 2014, waiting periods exceeding 90 days for coverage will be barred, pre-existing conditions exclusions no longer will be allowed for any employee, annual dollar limits on covered expenses will have to be scrapped; and employers will face a $3,000 penalty for every employee whose premium contribution exceeds 9.5% of family income and the employee opts for coverage in state insurance exchanges that will begin operating that year.

Much further down the road, health insurance premiums in 2018 exceeding $10,200 for individual coverage and $27,500 for family coverage will face a 40% excise tax, with the cost threshold triggering the tax slightly higher for plans covering retirees and employees in certain high-risk industries.

How much impact any one provision will have will vary by employer. But experts say it already is clear that nearly all employers will have to amend their health care plans to comply with the law.

For example, few employers extend coverage to employees' children to age 26 as the legislation will require starting next year; typical cutoffs are at age 23. Many states already require such extensions, but those state laws apply only to insured plans and not to the roughly two-thirds of larger employers that self-fund their plans.

In addition, about 70% of larger employers impose lifetime dollar limits on coverage health care expenses, according to Mercer L.L.C. research.

At the same time, while employers do limit how much money employees can contribute a year to their FSAs, those limits—generally $4,000 to $5,000—are much higher than the $2,500 limit the starts in 2013.

While amending FSAs to accommodate the new law is simple, other changes won't be as easy to make due to the way the law is written.

HEALTH CARE REFORM FAQ

ONLINE: Get answers to questions about changes to law.

ROAD TO COMPLIANCE

*When provisions in health care reform legislation begin**

2010

- $5 billion federal reinsurance fund set up to reimburse employers with retiree health care plans for 80% of each claim between $15,000 and $90,000 for retirees ages 55-64.

2011

- Group plan coverage extended to employees' adult children up to age 26 if no other employer plan is available.
- Elimination of plan lifetime dollar limits.
- Nonprescription drug costs no longer reimbursable through flexible spending accounts.
- Coverage required of preexisting medical conditions of children younger than 19.
- Tax on nonhealth care distributions from health savings accounts increases to 20% from 10%.

2012

- Cost of employer-provided health coverage reported on W-2 income statements. Requirement begins for 2011 W-2s distributed in 2012.

2013

- Maximum FSA contribution capped at $2,500. Future increases linked to annual rise in Consumer Price Index.
- Employer tax deduction for prescription drug coverage provided to Medicare-eligible retirees ended for amounts equal to federal subsidy to employers whose drug plans are at least equal to Medicare Part D.

2014

- Period before new full-time employees can receive coverage limited to 90 days.
- $2,000 penalty on employers with 50+ employees for each full-timer not offered coverage, excluding first 30 employees.
- $3,000 penalty on employers with 50+ employees for each full-time worker whose premium contribution exceeds 9.5% of family income and receives subsidized coverage through state insurance exchanges.
- Annual dollar limits on health care expenses eliminated.
- Exclusions for pre-existing medical condition barred.
- Increases cap on wellness program incentive rewards at 30% of employee-only coverage and gives regulators authority to raise the cap to 50%.
- Coverage must be offered to employees' adult children up to age 26 even if other coverage is available.

2018

- 40% excise tax imposed on health insurance premiums exceeding $10,200 for single coverage and $27,500 for family coverage. Cost thresholds slightly higher for plans covering retirees or employees in certain high-risk industries. In 2019, thresholds rise to match the increase in the Consumer Price Index, plus one percentage point. In 2020 and succeeding years, thresholds match percentage rises in the index.

**Includes changes in companion budget reconciliation bill.*

For example, extending coverage to employees' adult children will require employers to do more than rewrite plan documents and notify employees of the change. Until 2014, coverage does not have to be extended to employees' adult children if they are eligible for coverage from another employer, such as the company for which they are working. That will require employers to find out whether the adult children are eligible for other coverage.

In some cases, employers may have to wait for more guidance before they make design changes. One example: the requirement that coverage be extended for pre-existing conditions of children under age 19, which for most employers will be effective Jan. 1, 2011.

The way the law was written, it appears the extension would apply only to children enrolled in a health care plan at the time the legislation was enacted—not to future enrollees. Obama administration officials said last week that the issue will be resolved through a regulation.

Other ambiguities also are expected to be detected in the weeks ahead and it will take time for regulators to straighten them out.

"Don't expect guidance right away" on every issue, said Tom Lerche, health care practice leader with Aon Consulting in Chicago.

What employers can expect, certainly in the short run, will be higher costs as they are required to drop lifetime limits and extend coverage to more dependents.

"Certainly, there will be a cost," said Tracy Watts, a Mercer partner in Washington.

"There will be additional costs when more people get coverage," said Ken Sperling, a consultant with Hewitt Associates Inc. in Norwalk, Conn.

But experts say it isn't clear what the long-term cost impact of the new law will be on employers.

On the one hand, the drop in the number of uninsured should benefit employers as the amount of uncompensated care—a cost that providers shift through higher charges to insured patients—falls.

On the other hand, providers may see a sharp increase in undercompensated care due to the influx of patients with Medicaid coverage. Providers frequently complain that Medicaid reimbursement is inadequate, forcing them to boost charges for patients with private insurance.

"At best, it may be a wash," with uncompensated care costs going down and undercompensated costs rising, said Hewitt's Mr. Sperling.

Still, employers may benefit from expanded coverage in other ways. With premium subsidies going to millions to purchase cover in state insurance exchanges, employers should see a sharp decline in individuals opting for COBRA coverage, said Paul Dennett, senior vp-health care reform with the American Benefits Council in Washington.

ROAD TO REFORM

Critical points in the drive to pass health care reform legislation

2008

- **NOVEMBER:** The health care reform legislative landscape changes dramatically with the election of Barack Obama as president. For the first time since 1993, the top domestic policy initiative of the president is developing health care reform legislation.

2009

- **MARCH:** In an address to a joint session of Congress, President Obama says health care reform is the administration's top domestic policy issue for 2009. Experts say the stance is significant because it affirms that other issues—especially the ailing economy—won't sidetrack the administration's commitment to win passage of health care reform legislation.
- **JULY:** Committees in the Senate and House pass health care reform measures. Approaches vary significantly, with House bills imposing stiffer penalties on employers not offering coverage and creating a public option, or government-run insurance program, for the uninsured to buy coverage.
- **AUGUST:** Public support wanes amid a barrage of criticism—some unfounded.
- **SEPTEMBER:** Seeking to regain momentum, President Obama speaks to a joint congressional session. He rebuts many charges made by critics and for the first time says a public option is not an essential part of reform.
- **OCTOBER:** The Senate Finance Committee becomes the first congressional panel to attract Republican support as Sen. Olympia Snowe, R-Maine, votes in favor of health care reform legislation. The measure, assembled by committee Chairman Max Baucus, D-Mont., resembles the measure that later wins congressional approval, such taxing the most costly health insurance plans.
- **DECEMBER:** Majority Leader Harry Reid, D-Nev., keeps the Senate focused exclusively on health care for weeks, which pays off when the Senate on Dec. 24 passes a reform bill.

2010

- **JANUARY:** Democrats lose their filibuster-proof majority in the Senate when Republican Scott Brown wins a special election in Massachusetts. Top Democrats discuss an approach in which the House would pass the more centrist Senate-approved bill and then a budget reconciliation bill of changes to the Senate bill. Budget reconciliation bills require a simple majority to win approval and cannot be filibustered.
- **MARCH:** President Obama unveils changes to the Senate bill, such as reducing the impact of the controversial excise tax on costly plans, to win more congressional and public support. Aided by President Obama's pledge to issue an executive order barring federal funds for elective abortions, House Speaker Nancy Pelosi, D-Calif., picks up just enough Democratic support to win House passage of the Senate and reconciliation bills.

HEALTH CARE REFORM

Comp: Health reforms spell changes

CONTINUED FROM PAGE 1

appropriate. There are just so many things in flux right now."

Provisions in the law include changes to the federal Black Lung Benefits Act, making it easier for coal miners and their survivors to tap workers comp benefits, and new fees imposed on pharmaceutical and medical device manufacturers that could get passed on to employers.

Section 1556 of the law President Obama signed last week repeals Black Lung Benefits Act reforms adopted in 1981, according to the PCIAA.

The federal act mandates benefit levels for coal miners. The 1981 reforms eliminated presumptions in the act that miner disabilities and deaths stemmed from pneumoconiosis, known as black lung.

Now the law creates a presumption that a mine worker with 15 years of service who contracted a lung disease contracted it on the job, said Thomas Morelli, president of the global marine and energy unit for Chartis Inc. in New York.

'You just can't open those and pretend they are not going to cost you money. For our company, that is a pretty big shock.'

Roger Fries,
Kentucky Employers' Mutual Insurance

Observers expect it will be difficult for mine employers to argue that any lung ailment is caused by factors other than work, such as years of smoking.

The provision is particularly troublesome for insurers because it applies retroactively to claims filed after Jan. 1, 2005, said Roger Fries, president and CEO of Lexington, Ky.-based workers comp insurer Kentucky Employers' Mutual Insurance.

Insurers across Kentucky, Pennsylvania, Wyoming, West Virginia and southern Illinois did not price policies sold in the past few years to account for the reopening of coal-related claims, Mr. Fries said.

"You just can't open those and pretend they are not going to cost you money," Mr. Fries said. KEMI estimates it will have to immediately move about $30 million out of surplus to reserve for new claims and the reopening of older claims, Mr. Fries said.

"For our company, that is a pretty big shock," Mr. Fries added.

Cost estimates for expanding black lung benefits are extremely broad, ranging from several hundred million dollars to $1 billion, said Mr. Morelli of Chartis. "It's very difficult to put an aggregate number on what we think this is going to cost the industry because a lot is unknown about how it's going to play out over time."

But more black lung claims likely will be filed and approved, Mr. Morelli said.

"You can (foresee) rate increases as a result," added Mr. Morelli. Chartis is one of the nation's largest providers of workers comp insurance for coal mines.

The health reform law also calls for new taxes on pharmaceutical and medical device manufacturers that are likely to be pushed onto policyholders, said Eileen Auen, chairman and CEO of Tampa, Fla.-based PMSI Inc., a workers comp pharmacy benefit manager, medical products company and managed care provider.

"Ultimately, it will find its way to higher prices for policyholders," Ms. Auen said.

Any increased pharmacy or medical device costs will likely be nominal in contrast to various indirect affects of the measure, such as a potential increases in workers comp medical care utilization, said Thomas W. Watson, CEO for Dublin, Ohio-based Avizent, a claims and risk management company.

It's difficult to predict to what degree medical utilization could shift between workers comp systems and non-occupational health plans, but workers comp claims frequency actually could rise, Mr. Watson said.

That could happen as workers, knowing that they have health coverage, utilize medical services more frequently and then try and collect comp indemnity payments for injuries unrelated to work. Prior to having medical coverage, the individuals would have been less likely to seek medical treatment unless they were convinced the medical fees would be covered by comp payments, Mr. Watson said.

But data on whether workers file more or fewer workers comp claims as they gain health coverage is lacking, according to ratings agencies and other sources.

Several other factors also could come into play, sources said.

Downward pressure on claims costs could occur, for example, as more people gain access to wellness programs, Mr. Watson added. Overall, healthier employees are likely to file fewer claims and when they do, they are likely to return to work sooner, he said.

HEALTH CARE REFORM

Employers urged to communicate benefit plan changes

Experts advise talking about provisions that take effect soonest

By JOANNE WOJCIK

WASHINGTON—Now is the time for employers to begin a dialogue with their employees about the impact of health care reform in order to counter widespread misinformation and rhetoric, benefit communication experts say.

Even though some components of the legislation won't take effect for several years and regulations implementing the reforms have yet to be promulgated, employees need the assurance that their benefits will remain intact, the experts note.

Despite this advice, benefit consultants say most employers have been keeping mum.

"Start talking," advised Joann Hall Swenson, a consultant at Hewitt Associates Inc. in Minneapolis. "Employees really need to hear from their employers about how reform is going to impact them. They're hearing about it in the popular press, seeing it playing out on the national stage. Even if it doesn't seem like there's a lot to say right now, employers need to be demonstrating they are on top of things."

In particular, she suggests employers stick to provisions in the legislation that become effective by Jan. 1 for employers with calendar-year plans, which includes first-dollar preventive care, elimination of lifetime benefit limits, and extending coverage to adult children up to age 26.

"Say something, even if it's a little bit high-level," Ms. Hall Swenson urged.

Less than half of the employers Hewitt surveyed on the issue have a strategic communications plan for health care reform, she said.

"Employees are already starting to ask their (human resources) departments about when these changes will take effect," said Michael Vittoria, vp of human resources at protective equipment manufacturer Sperian Protection USA Inc. in Smithfield, R.I. Unless benefit managers get up to speed on the new law and are prepared to answer those questions, "I foresee the same type of mad scramble that took place last February when the COBRA subsidy took effect," he said.

Kathy Dupree, benefits manager at Core Laboratories Inc. in Houston, said several employees have asked about her thoughts on the reform legislation, but "without regulations, I really don't know what to tell them."

"I have been drafting in my mind what to tell employees, but right now I'm not sure what it means for them," Ms. Dupree said, citing additional legislative activity last week. "We have to put out something. I don't want employees sitting at home wondering how this is going to affect them, afraid they'll lose their coverage."

Gus Bentivegna, senior consultant in the communications and change management practice at Towers Watson & Co. in Stamford, Conn., said the consultant's 2010 Global Workforce Study showed employee anxiety about health reform. More than two-thirds of the employees responding to the survey, which included questions about their understanding and expectations of health reform, said they expected their benefits to cost more in the future. In addition, more than half expected the reform package would reduce their benefits and lower their quality of care.

"There's a lot of fear out there," Mr. Bentivegna said.

The majority of the employers with which he has talked do not have a health care reform communications plan.

"A lot, surprisingly, did not think this would actually happen. Although they were talking to their consultants to be prepared, I don't think they were ready for it. That's a shame. Employers should be keeping an open dialogue with employees and, at the very least, explain the impact reform might or might not have on their organizations," Mr. Bentivegna said. "If nothing else, reiterate your health care strategy, reinforce your benefits philosophy."

He also has found that many companies' "C-suite leaders have just ignored the debate. They asked their HR people to tell them just what they needed to know, nothing more."

To help clients stay informed on the issue, Towers Watson held an online seminar last week that attracted 1,700 attendees, Mr. Bentivegna said. "At one point, the system could not handle additional participants."

Throughout the reform debate, "employers were never able to grasp what reform meant to them," said Shawn Nowicki, director of health policy at the New York Business Group on Health. "Even people in my world didn't understand how it would affect employers."

He even sent a memo to NYBGH members describing the parliamentary procedure the House used to pass the measure and a breakdown of each section of the bill affecting group benefit plans with a brief implementation timeline.

"Employers have so many other important things to do. They decided to wait until there was something concrete to deal with," Mr. Nowicki said. But even with congressional action, "I think there's just so much in there that it takes a while to go through it and sift out the most relevant parts."

Bill Bruning, president and CEO of the Mid-America Coalition on Health Care in Kansas City, Mo., said the Greater Kansas City Chamber of Commerce Health Care Council held a meeting last week to offer employers advice in communicating the nuances of health reform to their employees.

Among other things, the council suggested that employers "try to get out ahead of the hysteria and hype and get some facts on the table," Mr. Bruning said. However, "I can't imagine too many employers, no matter how large, will be communicating on the issue until the dust begins to settle."

Reaction: Benefit managers wary about effect on group health plans

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Webber, president and CEO of the National Business Coalition on Health in Washington.

In particular, Mr. Webber cited provisions that would encourage provider performance measurement and reporting and pay for performance, as well as an increase in the value of rewards employers are permitted to offer employees for participation in wellness and disease management to 30% of the cost of single coverage from 20%, which is the current limit set by the Health Insurance Portability and Accountability Act.

Helen Darling, president of the National Business Group on Health, a Washington-based consortium of some of the nation's largest employers, said the final bill was less onerous for employers than its predecessors.

"We can't just say that we don't like some things about it so that we shouldn't reform the insurance market," Ms. Darling said. "The biggest changes (to the legislation) are provisions affecting the individual market, which doesn't affect employers at all."

Still, "some of the changes we're not thrilled with, like extending coverage to adult children until age 26," Ms. Darling said. "We also don't like the cap on FSA contributions. The ones who use this are those who have health problems. You want them to be able to set aside more."

Although backers of the legislation insist that extending coverage to more individuals will reduce the amount of uncompensated care, a cost that providers now shift to those in insured plans, most employers remain skeptical that will happen.

Michael Vittoria, vp of human resources at protective equipment manufacturer Sperian Protection in Smithfield, R.I., cited a June 2009 study by Princeton, N.J.-based Mathematica Policy Research Inc. that found the 140,000 uninsured Rhode Island residents consume just $2,304 worth of health care per person per year compared with the $5,340 that fully insured Rhode Islanders use annually.

ON THE WEB
www.businessinsurance.com/healthcarereform

INSURER REACTION: New requirements could be a boon to the health insurance industry.

BROKER REACTION: Possible erosion of employer-sponsored health care market causes worry.

"Once these uninsured become insured, their health care consumption will begin to look like everyone else's, and the additional cost to Rhode Island will be about $138 million per year," he said. "So, as you can see, simply pumping more people into the current system is a recipe for fiscal disaster. We must reform the health care payment system while we are covering more people if we want to make health care reform cost-effective."

Larry Boress, president and CEO of the Midwest Business Group on Health, an employer coalition based in Chicago, said he was "truly concerned about the future of employer-sponsored retiree benefits" now that the Congress has removed the tax break for employers that offer prescription drug coverage equal to Medicare Part D and receive a subsidy from the federal government.

"With the increasing administrative burden on these employers plus the tax on their subsidies, I see the percent of employer-sponsored retiree (health benefit) programs diminishing at a faster rate," Mr. Boress said.

Just last week, Caterpillar Inc. and Deere & Co., two Illinois-based heavy equipment manufacturers that provide retiree health care benefits, announced they will take hefty one-time charges against earnings as a result of the curbing of the tax break.

Scott Clark, risk and benefits officer for Miami-Dade County Public Schools, said that because medical providers are likely to have more insured patients as a result of health care reform, it may be more difficult for self-insured employers to negotiate strategic pricing arrangements.

Gary Watson, employee benefits program manager at the Tennessee Valley Authority in Knoxville, Tenn., said, "The Cadillac plan tax could make many private plans eliminate choices, which is contrary to our push for more consumerism in selecting medical plans."

Mr. Watson also raised concerns about Medicare cuts. "Any reductions in Medicare payments to providers will be passed along to private plans, therefore increasing our trends over time," he said.

Kathy Dupree, benefits manager at Core Laboratories Inc., a Houston-based company that serves the petroleum industry, anticipates that the removal of annual and lifetime benefit caps will affect the cost of stop-loss coverage for Core, which buys aggregate and specific stop-loss coverage to pay claims exceeding $250,000.

"The stop-loss carriers are going to pick up that unknown cost," she said, and undoubtedly will charge self-insured employers higher premiums to cover it.

Similarly, she also expects to see the fees insurers charge to administer self-insured plans to increase as a result of the new tax that will be placed on insurers based on their market share.

Ms. Dupree also is concerned about the additional expense Core will incur as a result of the requirement that certain "essential benefit services," such as wellness and preventive care, be covered at 100%.

"Right now we have a $700 annual benefit for wellness, but we pay 100% of colonoscopies. So we'll probably bump it up a little each year so that when 2014 comes it won't be a complete shock to the system," she said.

The 2014 requirement that employers extend coverage to any employee who works at least 30 hours per week or pay a fee to the government also is a major issue for Core, according to Ms. Dupree.

"Our plan eligibility starts at 40 hours. This will require plan amendments," she said.

Like many of her employer colleagues, Ms. Dupree said she doesn't think the legislation adequately addresses the major cost drivers of the health care system such as the fee-for-service payment system, which encourages overutilization; lack of tort reform to discourage the practice of defensive medicine; and the high cost of prescription drugs as compared with that paid by other countries.

"My initial hope was that they would start where health care starts, not where it ends up. It ends up with the insurance company adjudicating claims," she said.

Mr. Vittoria expressed similar sentiments.

"The greatest potential benefit for employers of all sizes will only come if we can reform the payment system that currently results in the overutilization of health care services by Americans of all ages. Unfortunately, the current bill did little to address this part of the problem," he said.

Lloyd's: 2009 record profit

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have an impact on their results," said Mr. Bennett, adding that the U.S. hurricane season could have a make-or-break impact on Lloyd's 2010's performance. "Whenever it's been a bad year for natural catastrophes, Lloyd's has always performed worse than their peer group; when it's not severe, Lloyd's does well."

Ms. Thomas pointed out, though, that reinsurance losses from the Chile quake also could cause reinsurance rates for such exposures to firm. "It may slow some of the rate decreases we had expected to accelerate through 2010," she said. "That may have a positive effect."

Lloyd's wrote £21.97 billion ($32.99 billion) in gross premiums last year, a 22.3% increase—due in part to a weak British pound. Its combined ratio, meanwhile, improved to 86.1% from 91.3%. Mr. Ward said 13 percentage points of the increase resulted from foreign exchange adjustments with the remainder split between new business and rate increases.

Lloyd's said in its annual report that because 65% of its business is denominated in U.S. dollars, the exchange rate movements in 2009 had a significant impact on gross written premiums.

Mr. Ward said there are pockets of softening in the insurance market—including U.S. property catastrophe and offshore energy—and Lloyd's is emphasizing discipline among its underwriters.

"The real challenge this year will be maintaining underwriting discipline," said Ms. Thomas. "A major concern is casualty business. The rating for this business remains depressed."

Casualty gross premiums at Lloyd's rose 15% to £4.32 billion ($6.49 billion).

Reinsurance gross written premiums posted the largest percentage gain, 27%, among Lloyd's business sectors, rising to £7.99 billion ($12 billion) last year. Property gross premiums rose 25% to £4.95 billion ($7.43 billion).

Marine gross written premiums gained 20% to £1.61 billion ($2.42 billion). Energy gross written premiums were £1.37 billion ($2.06 billion), a 19% increase.

Marsh: Broker forgoes core biz contingents

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open to collecting the commissions.

"We're not taking a one-size-fits-all approach or exporting a U.S.-knows-best approach" to contingents, a Marsh spokesman said. In other markets around the world, "regulators view contingents as an acceptable component of producer compensation so long as they're meaningfully disclosed to clients," he said.

The brokerage, for example, said it will accept contingents within its Marsh & McLennan Agency L.L.C. subsidiary and within its U.S. and Canadian consumer business, which includes affinity, sponsored program and personal lines businesses. Clients within those units will be given "plain language disclosure" that meets or exceeds all applicable legal and regulatory requirements, Marsh said.

Whether Marsh will collect contingents within its global operations outside of the U.S. and Canada will depend on the country and the client, the Marsh spokesman said.

Observers had differing views.

"We're pleased they stepped up to the plate, and we're calling for other (brokers) to do the same," said Terry Fleming, president of the Risk & Insurance Management Society Inc.

RIMS, which supports a universal ban on contingents due to the conflict of interest they create, urged Marsh to adopt its ban globally, said Mr. Fleming, who also is director of Montgomery County's Division of Risk Management in Rockville, Md.

Jay Gelb, an analyst with Barclays Capital in New York, said he views the ban as a "negative catalyst" for Marsh & McLennan Cos. Inc. shares.

"This development is in line with our view that the potential earnings benefits for MMC…from recovering commissions could be small due to client push-back," he wrote in a client note. While Marsh is "unclear whether it will accept contingent commissions in Europe…we believe any potential earnings benefit should be small."

However, Meyer Shields, an analyst with Stifel, Nicolaus & Co. Inc. in Baltimore, said the move still leaves most of Marsh's revenue base open to extra contingent income.

"We think this is absolutely the right decision; Marsh can now be fully and fairly compensated for more efficient and more profitable insurance placement," Mr. Shields wrote in a client note.

"We respectfully disagree with the idea that fully disclosed contingent commissions somehow represent a conflict of interest; if disclosure resolves the more immediate conflict of carriers' varying basic commission rates, it certainly resolves any indirect conflict allegedly posed by contingents," Mr. Shields wrote.

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News In Brief

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AIG employees earning $500,000-plus halved

Five employees at American International Group Inc. will earn more than $500,000 in cash salary in 2010, rather than the 10 proposed by the insurer, Kenneth R. Feinberg, special master of the Troubled Asset Relief Program, said in a letter last week to AIG President and CEO Robert Benmosche. Comparing 2010 to 2009, overall cash compensation decreased by $22.2 million, or 63%, while total direct compensation, which includes salary, stock and long-term restricted stock, increased by $1.9 million, or 2%.

Zurich to enhance security after data breach

Zurich Insurance P.L.C. violated the U.K. Data Protection Act in the 2008 loss of a backup data tape in South Africa containing information on tens of thousands of policyholders, a government agency said last week. The U.K. Information Commissioner's Office said Stephen Lewis, the London branch manager of Zurich Insurance, signed an agreement that ensures that any future movement of backup tapes include appropriate security procedures, including encryption. The tapes lost during a routine transfer to a data storage facility by a Zurich unit in South Africa were not encrypted.

Court vacates punitive award in bias case

The 5th U.S. Circuit Court of Appeals has vacated a district court jury's decision to award punitive damages to an employee who sued alleging age and gender discrimination after she was terminated by her employer, saying there was insufficient evidence to uphold the award. The court concluded that the jury's punitive damage award in *Kim Y. Smith vs. Xerox Corp.* should be vacated, stating that evidence supporting Ms. Smith's case did not show that Xerox acted with "malice or reckless indifference" when it terminated her employment. However, the court found Xerox was guilty of terminating Ms. Smith in retaliation for filing a complaint with the Equal Employment Opportunity Commission and awarded her $67,500 in compensatory damages, $250,000 in punitive damages and ordered Xerox to pay her attorney fees.

Noneconomic damages cap unconstitutional: Court

The Georgia Supreme Court has declared that caps on noneconomic damages in medical malpractice cases are unconstitutional. In its ruling in *Atlanta Oculoplastic Surgery P.C. vs. Nestlehutt et al.*, the state's high court held unanimously that the $350,000 cap on noneconomic damages violated the state constitution's guarantee of the right to a jury trial. The cap was part of Georgia's Tort Reform Act of 2005.

Law limiting injured worker suits upheld

A law restricting injured workers' ability to sue their employers in intentional tort cases is constitutional, Ohio's Supreme Court has ruled in separate cases. In *Rose Kaminski vs. Metal & Wire Products Co.*, the court ruled that an "employer intentional tort statute" enacted in 2005 "appears to harmonize" Ohio law with employer intentional tort law and the exclusive remedy of workers comp statutes common in other states. The ruling overturned a state appellate court finding that the intentional tort law is unconstitutional "in its entirety." After a 2005 accident, Ms. Kaminski sued, alleging her employer committed an intentional tort—or that the employer intended to injure the worker or believed an injury was certain to occur. The Ohio Supreme Court said the state's General Assembly "is not constitutionally proscribed from legislating in this area." It reinstated a trial court's summary judgment in favor of the employer. In *Carl Stetter et al. vs. R.J. Corman Derailment Services L.L.C. et al.*, the Ohio Supreme Court ruled on challenges to the intentional tort law, saying it does not violate several states' constitutional provisions.

Noted

Hartford Financial Services Group Inc. said it has completed equity and debt offerings in its plan to repurchase $3.4 billion of its preferred shares that were issued to the U.S. Treasury Department under the Troubled Asset Relief Program....The New South Wales Supreme Court approved a settlement in the long-running case involving **HIH Insurance Co. Ltd.**'s 1998 takeover of **FAI General Insurance Co. Ltd.**, which ultimately led to HIH's collapse, according to news reports.

Bill: Financial services reform progresses

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pass legislation, which this might be," said Ben McKay, senior vp in the Property Casualty Insurers Assn. of America's Washington office. "My sense that that they're going to work out the outstanding issues in the next month or month and a half and we'll see a bill at least pass out of the Senate" in May.

"The Senate is the Senate and you always have to worry about the lack of procedural rules on massive pieces of legislation," said Mr. Wood. "I think everyone worries about the clock. But on the other hand, it's March. This is the next big issue as soon as reconciliation is complete. I think Sen. Shelby is right—agreement already exists on 85% of what is in this reform package," he said, referring to the Banking Committee's top Republican, Sen. Richard Shelby, R-Ala.

"I'm very optimistic they'll work out the remaining 15%," Mr. Wood said.

"We're hearing that Chairman Dodd would like to see major progress in getting the bill to the Senate floor when Congress returns from their Easter recess," said Charles Symington, a senior vp with the Alexandria, Va.-based Independent Insurance Agents & Brokers of America. "With their shortened calendar in an election year, obviously they want to get this done sooner rather than later; and at this point, I think that chances of this bill becoming law are very good."

Jimi Grande, senior vp in the National Assn. of Mutual Insurance Cos.' Washington office, played down the importance of timing.

"I don't think the calendar is nearly the challenge that most make it out to be," he said. "This is a really important piece of legislation. They're going to find time to get this on the floor if they think they can get it done."

"I do think it's got a fairly good chance of becoming law, not in the exact form that it looks like today, but with more changes," said Mr. Grande. "It appears more than a handful of willing negotiators" among Republicans would try to strike a bipartisan deal.

Mr. Wood said backers of the surplus lines reform legislation have much at stake in the Senate action. "After seven years of effort, we are as close as it's ever been," he said. "And this may be the last significant opportunity for us to achieve this reform."

INSURANCE INDUSTRY CHANGES

Key insurance-related provisions of the Restoring American Financial Stability Act of 2010

- **Create an Office of National Insurance in the Treasury Department.**
- **Streamline surplus lines regulation.**
- **Require large financial services entities to establish risk committees that include at least one risk management expert.**

Source: Senate Banking, Housing and Urban Affairs Committee

Manville: Ruling could hinder settlements

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authority in barring future lawsuits unrelated to the insurance policies of the bankrupt Manville estate.

Last June, the U.S. Supreme Court overturned the appeals court, ruling that asbestos claimants and others who were part of the 1986 agreement had their chance to challenge that agreement long ago.

But on remand last week, the 2nd Circuit found that Chubb was not a part of the 1986 agreement and had a right to challenge the bankruptcy court's ruling.

The 2nd Circuit panel ruled that the bankruptcy court overstepped its authority and violated Chubb's due process rights by barring all future asbestos-related lawsuits against Travelers without giving Chubb adequate notice of the agreement in 1986.

While the agreement mentioned Manville's insurance policies, Chubb's claims against Travelers did not seek to collect from Manville's insurance policies, the court ruled. Also, the court-appointed attorney for future asbestos claimants in 1986 was designated by the bankruptcy court to advocate for "persons" exposed to asbestos, not companies.

The trust established to pay Manville's liability claims has been replicated in scores of other asbestos cases and Congress subsequently wrote it into law. Legal observers said the latest ruling rejecting the bankruptcy court's jurisdiction to bar all future lawsuits—to provide finality to liability insurers facing a cascade of potential lawsuits—could make insurers less willing to settle in similar cases, experts say.

Insurers seek certainty

Tancred Schiavoni, a New York-based attorney at O'Melveny & Myers L.L.P., said bankruptcy courts have issued similar injunctions prohibiting future liability claims in 71 other cases and that insurers have sought to broaden the protections of such injunctions.

"The only path to finality for asbestos has turned out to be these injunctions," Mr. Schiavoni said. "Any other means has proven illusory. You settle your whole (claims) inventory; they come back" with more claims.

The *Manville* case is one of three recent cases—the other two in the 3rd U.S. Circuit Court of Appeals—in which appeals courts ruled against bankruptcy court-issued injunctions, he said.

David B. Goodwin, a partner with San Francisco-based Covington & Burling L.L.P., said the ruling could hinder bankrupt companies settling with their insurers.

"If you're an insurance company and you've insured a bankrupt defendant, you may be reluctant to settle because, unless you dot your i's and cross your t's, you may not have indemnity," he said.

Mr. Schiavoni said the case could have a major effect on rights of contribution. Typically, Chubb—which issued excess policies to Manville—would seek contributions from Travelers if faced with new asbestos claims, he said. But Travelers' agreement with the Manville trust would allow it to avoid contributing, leaving Chubb to bear the claim cost alone, he said.

The possibility of paying the claim without contributions from the primary layer would be an incentive for Chubb to settle with policyholders, Mr. Schiavoni said. The ruling last week could force a primary insurer to contribute, therefore diminishing an excess insurer's incentive to settle, he said.

In Re Johns-Manville Corp., 2nd U.S. Circuit Court of Appeals No. 06-2103-bk, 06-2118-bk, 06-2186-bk; March 22, 2010.

MUSEUM OF SCIENCE AND INDUSTRY

A 40-foot tornado is featured as part of the Museum of Science and Industry's Science Storms exhibit in Chicago.

WINDY CITY GETS A LITTLE STORMIER

Risk managers and underwriters traveling to Chicago may want to stop by the Museum of Science and Industry to check out its exhibit on how storms are formed.

The exhibit, Science Storms, allows people to explore their curiosity about how tornadoes, tsunamis, avalanches and lightning are formed. The exhibit, which opened this month, also gives people an understanding of just how powerful some of these events can be and the science behind natural phenomena.

The tsunami portion of exhibit, for example, introduces observers to a 30-foot wave tank and allows them to investigate a tsunami's impact on different coastal environments.

Meanwhile, the tornado portion of the exhibit provides observers with a firsthand look at a twister with a 40-foot vortex of swirling air and vapor, which they can manipulate and study.

These are just two of 50 experiments offered by the Science Storms exhibit, which is sponsored by Allstate Corp., the Allstate Foundation and the Grainger Foundation.

More information is available online at *http://www.msichicago.org/whats-here/exhibits/science-storms.*

LOG ON FOR CHUBB SOCIAL MEDIA CHAT

Some participants will receive a free download of Dave Carroll's "Perfect Blue."

Maybe file this one under fighting fire with fire: Chubb Corp. plans to tap into the phenomenal growth in social media sites to create a virtual chat room to talk about social media risks.

The Warren, N.J.-based insurer is hosting an interactive, worldwide discussion on social media risk management during the Risk & Insurance Management Society Inc. conference April 26-29 in Boston.

Conference registrants and others are being asked to join a dialogue to identify and reduce the emerging risks businesses face from platforms such as Facebook, YouTube, Twitter and corporate blogs, the insurer said.

Participants will be able to share and collaborate via personal computers, BlackBerrys, iPhones and other smart phones on ideas about social media risks, their impact on business, and risk mitigation strategies, according to Chubb.

The first 500 to register will receive as a bonus a free download of "Perfect Blue," the new album of Dave Carroll, whose widely seen YouTube video showed him chastising an airline he accused of breaking his guitar. Prizes including charitable donations also will be awarded to participants who submit the most ideas and whose ideas generate the greatest amount of collaboration.

Social media's power "resonated loud and clear for many business people" when Mr. Carroll posted his video, said chief Chubb innovation officer Jon Bidwell in a statement.

Register online at *https://chubbsocialmedia.imaginatik.com.*

Business Insurance END PAGE

COURTESY OF HIGH FIVE CYCLES

Leslie Porterfield holds the record for the fastest woman in the world on a motorcycle, at 232.5 mph. She is sponsored by Foremost Insurance Co., a subsidiary of Farmers Insurance Group of Cos.

Contributing: Jeff Casale, Judy Greenwald

Need for speed comes first and Foremost

Auto insurers applaud safe driving, but traveling 232.5 mph on a motorcycle and landing in the Guinness World Records book as the fastest woman in the world on a motorcycle also has earned an insurer's backing.

Leslie Porterfield, an appointed agent for Foremost Insurance Co., a subsidiary of Farmers Insurance Group of Cos., gained the title as the fastest woman in the world on a motorcycle when she smashed the record that motocross rider and stuntwoman Marcia Holley had held for 30 years.

Ms. Porterfield, who was sponsored by Grand Rapids, Mich.-based Foremost, recorded an overall land speed record of 232.5 mph in the 2000cc modified class at Bonneville Salt Flats in Utah. She torched the flats in 2008 and sped into the record books on a 2002 2000cc turbo-charged Suzuki Hayabusa.

Ms. Porterfield, who owns a motorcycle dealership in Dallas, High Five Cycles, also was honored as the AMA Pro Racing Female Rider of the Year in 2008 and was featured in the Discovery Channel documentary "Speed Capital of the World: Bonneville."

It took from 2008 until just recently for Guinness World Records to make its determination.

"I couldn't believe it when (Guinness) called," Ms. Porterfield said in a statement. "It takes awhile after filing the paperwork with the (International Motorcycling Federation) to get the record certificate, and then with Guinness…and when they called I was just thrilled."

Ms. Porterfield said she plans to head back to Bonneville in August for the BUB Motorcycle Speed Trials, where she plans to take aim at her next goal.

"I don't just want to be the fastest woman in the world," Ms. Porterfield said. "I want to be the fastest person in the world. That's what's next."

Chris Carr set the world record for the land speed record on a motorcycle in 2006, traveling 350.8 mph.

Benmosche uncorks his passion for wine

American International Group Inc. President and CEO Robert Benmosche has gotten approval to start building a winery in Viganj, Croatia—an idea he started pursuing when he retired from MetLife Inc.

Making wine is apparently important to Mr. Benmosche. In fact, it is so important that he delayed accepting his current position because of it.

In an interview late last year with Wine Enthusiast magazine, Mr. Benmosche said AIG began courting him in August 2009.

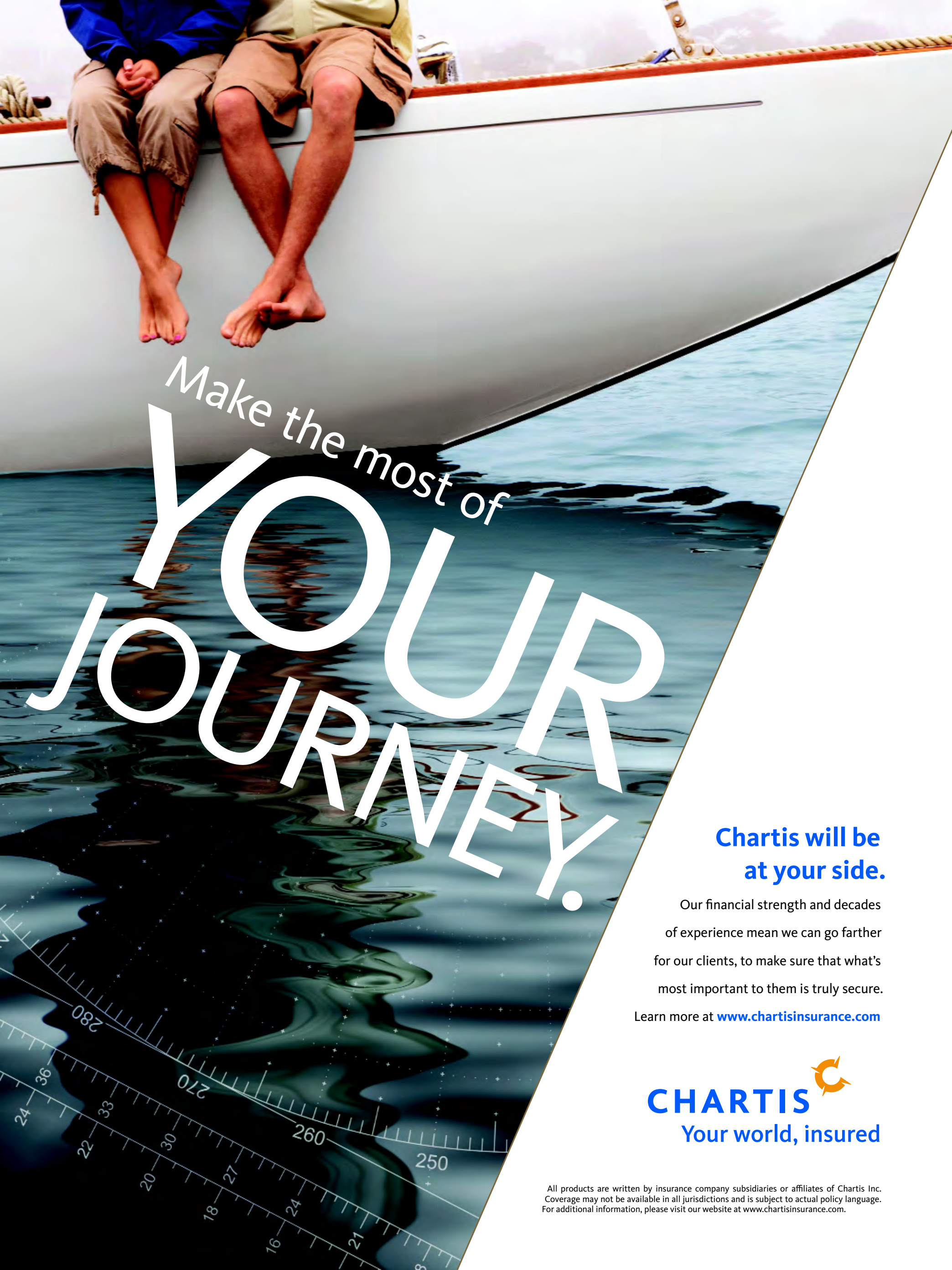
"I told them I couldn't start until October and they said, 'Look, the current CEO, he wants to retire. We need you to start.' I said I have to go back for my first harvest of Zinfandel…I don't know how I can do both. So we agreed that I would start early, but then I could go finish up my Croatia stuff."

Locals were "shocked," he said in the interview, to find that the land he bought has "great" soil and even some original Zinfandel plants, even though plants also were imported from Napa Valley, Calif., to start the growing operations.

The Croatian press reported last week that local authorities approved the operation on Croatia's Peljesac Peninsula, which is not far from Mr. Benmosche's Dubrovnik vacation home.

The project was said to be worth about €1.5 million ($2 million).

It must be nice after a hard day at the office for Mr. Benmosche to be able to relax with a glass of his own Zin.



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