

Business Insurance

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AIM TO IMPROVE
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In Brief

Compromise reached on Solvency II terms

The Committee of European Representatives, a group made up of representatives of E.U. member states, has reached an agreement that should enable a European Parliament vote in April on the proposed Solvency II directive, and formal endorsement is expected this week. Solvency II will introduce a risk-based capital regulatory regime for many insurers, reinsurers and captive companies that operate in the European Union. Agreement was reached after language concerning so-called "group support" was dropped. Group support would have allowed the capital-adequacy requirements of subsidiary insurance firms to be calculated on a cross-group basis.

See **IN BRIEF** page 33



AP PHOTOS

Treasury Secretary Timothy F. Geithner last week said he sees a 'good case' for creating an optional federal charter for insurers, as he unveiled plans for improving regulation of systemic financial risks.

White House eyes regulatory revamp

*Better control over
systemic risk sought;
boost for OFC seen*

By **MARK A. HOFMANN**

WASHINGTON—Treasury Secretary Timothy F. Geithner's assertion that there is a "good case" for allowing insurers to choose an optional federal charter could rejuvenate the debate over the proper role of the federal government in regulating insurance during a time of economic turmoil.

OFC proponents say Mr. Geithner's comments fit into the ongoing debate over regulating systemic risk. But opponents say the government should focus on pressing economic matters and leave insurance regulation to the states.

Mr. Geithner also said some insurers should be subject to systemic risk regulation by a sort of superregulator overseeing financial services if their condition is deemed

to present a threat to the economy as a whole. But industry experts say few, if any, property/casualty insurers are likely to present such a problem.

Mr. Geithner testified last week before the House Financial Services Committee about the Obama administration's plans to tighten financial services regulation. Mr. Geithner made clear that some insurers could fall under the purview of a new systemic risk regulator, although exactly what that regulator would be and how to determine which entities present a systemic risk remained unclear. He indicated details would be forthcoming.

"We must cover financial institutions that have the potential to pose

See **REGULATION** page 32

New structures revive market for cat bonds

*Terms allay concerns
on collateral security,
but deals' costs rise*

By **COLLEEN MCCARTHY**

NEW YORK—New catastrophe bonds featuring improved structures and tighter collateral requirements have kick-started the struggling insurance-linked securities sector, despite higher prices for sponsors to issue the bonds.

The latest deal, a \$150 million cat bond planned by German insurer Allianz S.E., is the fourth such transaction this year. If successful, the offering will take new issuance so far in 2009 to \$725 million.

Three other transactions already

have closed in the first quarter (see box, page 31), and more deals are expected to be brought to market as the start of the U.S. hurricane season draws near, observers say.

The recent transactions ended a six-month halt in new cat bond issuance. That drought began after the collapse of Lehman Bros. last September resulted in downgrades on four catastrophe bonds effectively guaranteed by the investment firm. The fallout raised investor fears about credit risk in a sector once touted as uncorrelated with the wider financial markets.

The new deals have been well-received and the market is on track for a solid year, experts say. Overall, issuance could reach \$3 billion for

See **CAT BONDS** page 31

E.U. may clarify rules on insurer cooperation

*Some practices OK'd,
but questions remain
on joint policy efforts*

By **SARAH VEYSEY**

BRUSSELS, Belgium—European authorities signalled last week that they may provide guidance on the extent that insurers can cooperate on policy conditions if an insurer exemption to E.U. competition law is lifted or modified next year.

The move was welcomed by insurer and risk manager representatives who had lobbied against lifting the exemption.

While changes to the exemption are not expected to end common practices, such as subscription placements in Europe, they could add to insurers' legal compliance burdens and weaken consumer protections, some observers say, and formal guidance from the European Commission may ease the transition.

The commission said last week that two forms of insurance market

RECOMMENDATIONS

The European Commission's recommendations on competition rule exemptions for insurance market practices:

- LIKELY TO RETAIN EXEMPTION**
 - Joint calculations, tables and studies
 - Reinsurance pools for hard to place risks, such as nuclear, terrorism and environmental exposures
- UNLIKELY TO RETAIN EXEMPTION**
 - Standard policy conditions

cooperation should continue to be exempted from European Union competition rules, but that standard policy conditions do not necessarily need an exemption.

The commission made its recommendations in a report on the insurance industry Block Exemption Regulation, which was last

See **COMPETITION** page 33



RIMS CONFERENCE PREVIEW

Risk managers challenged to embrace change at the Risk & Insurance Management Society Inc. conference with the theme "Challenge Your Risk IQ;" volunteers clean up and golfers raise funds for the Spencer Foundation; a look at the area's economy, history, attractions and restaurants. **PAGE 11**

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Catastrophes, investments hit reinsurer results

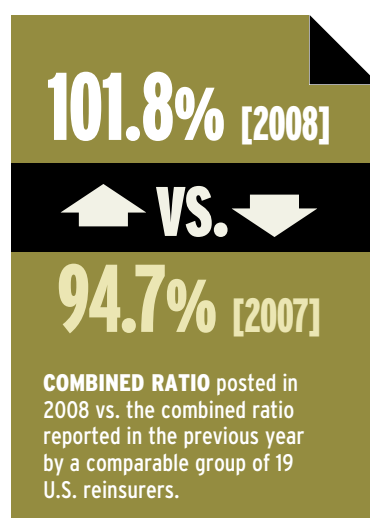
*Rates expected to rise,
but future cat losses
may threaten capital*

By JUDY GREENWALD

The U.S. reinsurance industry emerged in relatively strong shape in 2008 despite being hit by a significant natural catastrophe—Hurricane Ike—and a man-made one—the recession—say observers.

The outlook for 2009, however, is mixed, say observers. While rates are showing signs of hardening, reinsurers may be especially vulnerable to a large catastrophe this year because they would be unable to replenish their capital as readily as they have in the past, they say.

Nineteen U.S. reinsurers surveyed by the Washington-based Reinsur-



ance Assn. of America posted a 101.8% combined ratio for 2008, vs. the 94.7% reported by a comparable group in 2007. The reinsurers wrote \$23.92 billion in net premiums, a

5.3% increase from the total reported by the comparable group in 2007. Policyholder surplus, however, decreased 15.2%, to \$64.36 billion.

The higher combined ratio "was largely due to the stepped-up cat loss activity, although that was muted somewhat by favorable loss reserve developments," said John L. Ward, chief executive officer of Cincinnati-based Cincinnati Partners L.L.C. "It was a difficult year," he said, pointing to the drop in policyholder surplus.

The results of individual reinsurers varied significantly, noted James Auden, senior director at Chicago-based Fitch Ratings. While Berkley Insurance Co., for instance, posted a 96.3% combined ratio and

National Indemnity Co. 89.6%, Munich Reinsurance America Corp. and Everest Reinsurance Co. posted combined ratios of 114% and 115.7% respectively.

Pointing to the 101.8% total combined, he said, "I'm not sure how much reserve development played in that underwriting result." Taking advantage of prior year reserve developments "may have run its course," he said. "That reserve cushion isn't as strong as it once was."

"The first six months of the year, things were as expected," with small storms and rates declining, said Cliff Gallant, an analyst with Keefe, Bruyette & Woods Inc. in New York. But, "in the fall, we had two big events," first Ike, then the market's financial turmoil, which "ended up having a bigger impact

See **RAA** page 29

Shipping rules in Europe aim to improve safety

*Regulations require
more inspections,
toughen cover rules*

By MICHAEL BRADFORD

BRUSSELS, Belgium—A package of regulations passed by the European Parliament is expected to improve maritime safety in European waters and better protect coastlines from environmental disasters, though it's unclear whether insurance costs will increase as a result of the changes.

The Third Maritime Safety Package, which is known informally as Erika III, was adopted by the Parliament earlier this month and carries various effective dates for regulations that, among other things, establish more frequent investigations of vessels and accidents, set penalties for ships without manda-

tory proof of insurance, and increase compensation to passengers in accidents.

The regulations, which were first proposed in 2005, are the third set of rules prompted by a 1999 accident involving the 25-year-old single-hull tanker Erika, which broke

up in high seas and fouled France's Brittany coast with a vast oil spill. A 2002 oil spill that occurred when the single-hulled Prestige broke apart off the coast of Spain gave further impetus for rule changes.

"This is meant to be an improvement on the safety aspects of the previous two packages," said a spokesman for the Parliament. The Erika III regulations would go as far as permanently barring ships from E.U. waters if they repeatedly fail

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REUTERS

An oil spill that resulted from the 2002 sinking of the Prestige, a single-hulled tanker, was one impetus for new maritime safety rules.

inspections.

The regulations should make for safer waters, sources agree. And, while shipowners will incur expenses to meet the requirements, it's not clear whether insurance costs will increase.

Insurance costs will not rise as a result of the directive on civil liability and financial guarantees within the package, said Andrew Bardot, chief executive officer of the International Group of P&I Clubs in London.

That portion of the package does not increase liability, said Mr. Bardot. "It makes mandatory that ships have insurance when they come to port."

E.U. member states will have to obtain from ships entering their waters proof that the vessels are insured at amounts set by the Convention on Limitation of Liability for Maritime Claims. Under the

See **MARITIME** page 31

Financial crisis saps pension plans

Average funding levels at large firms fall below 80% in 2008

By COLLEEN MCCARTHY

The financial crisis fueled record losses last year in the nation's largest corporate pension plans, Milliman Inc. said in a study released last week.

Milliman's analysis of financial statements filed by sponsors of the 100 largest pension plans found the plans' average funding was less than 80% at the end of 2008, a steep drop from the prior year when plans were 106% funded.

Combined losses for the top employer-sponsored plans totaled \$300 billion for 2008, the report

said. Those losses continued this year, with a decline of more than \$30 billion in the first two months of 2009.

That put the top 100 pension plans' funded status at 73% in February, the lowest level since July 2003, the Seattle-based actuary and consulting firm said.

The losses, combined with stricter federal funding requirements, will result in a significant increase in required contributions, Milliman said. It projects required contributions will rise by \$50 billion this year.

In addition, the report said, the

funds' aggregate pension deficit increased by \$320 billion during fiscal 2008 compared with a \$65 billion surplus in 2007.

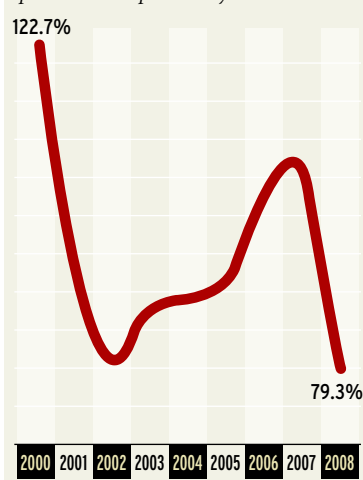
Combined, the top firms faced an aggregate shortfall of \$255 billion at the end of fiscal 2008, Milliman said.

While a 2006 pension funding law was eased somewhat last year, federal legislators have not yet responded to business groups' pleas for more relaxation of those rules.

The "9th Annual Milliman Pension Funding Study" is available at www.milliman.com.

PENSION FUNDING

The funded ratio of the largest corporate plans over the past nine years.



Source: Milliman 2009 Pension Funding Study

Business Insurance®

REPORTING ON CORPORATE RISK
AND EMPLOYEE BENEFIT
MANAGEMENT NEWS

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Project seeks better data on earthquake risks worldwide

Industry companies helping fund effort to model quake risks

By JEFF CASALE

When an earthquake struck a fault beneath the Indian Ocean and triggered a huge tsunami on Dec. 26, 2004, the scientific community knew there had to be a better way to protect against such a risk. Huge waves swamped large portions of Indonesia, Sri Lanka, India and Thailand, causing widespread devastation and killing some 220,000 people while leaving hundreds of thousands homeless. “It was an earthquake we didn’t see coming,” said Ross Stein, geophysicist with the U.S. Geological



Survey’s earthquake hazards program in Menlo Park, Calif. “We didn’t appreciate the likelihood of one that size and we didn’t understand

EARTHQUAKE LOSSES

Snapshot of some of the costliest and deadliest earthquakes since 1980

DATE	LOCATION	OVERALL LOSSES	INSURED LOSSES	FATALITIES
Jan. 17, 1994	Northridge, Calif.	\$44 million	\$15.3 million	61
Jan. 17, 1995	Kobe, Japan	\$100 million	\$3 million	6,430
Dec. 26, 2004	South Asia	\$10 million	\$1 million	220,000
Aug. 8, 1999	Izmit, Turkey	\$12 million	\$600,000	17,000

Source: Munich Reinsurance Co.

A 1994 quake in Northridge, Calif., (left) caused \$15.3 million in insured losses.

the consequences. It was an earthquake that took the lives of those in developing countries; people who didn’t have the means to protect

themselves or rebuild.” Global data on earthquakes and seismic risk is scarce in several parts of the world, particularly among

developing countries in Asia and the Pacific Rim as well as parts of Africa, Eastern Europe and even the United States, Mr. Stein said. In an effort to change this, Mr. Stein as well as earth scientists, governments, catastrophe modelers and insurers came up with the idea of establishing a database to provide information about seismic risk and decision tools to help mitigate that risk. The project, a public-private partnership overseen by the Paris-based Organization for Economic Co-operation and Development, is known as the Global Earthquake Model. GEM, a five-year project begins its first full year of work this year, though data collecting and some

See EARTHQUAKES page 30



Police and port workers await the docking of the Ukrainian ship MV Faina in Mombasa, Kenya, in February. The craft, loaded with military cargo, and crew had been held captive for five months by pirates.

Marine insurers transfer piracy risks to war cover

Surge in attacks prompts move by London market

By ZACK PHILLIPS

STAMFORD, Conn.—Marine underwriters in London have begun a large-scale transition from covering piracy under hull policies to covering the peril under war risk policies, insurers and other market observers say. “In London now in about 80% of

cases, (piracy is) being transferred from the hull to the war” policy, said Simon Stonehouse, a marine hull underwriter at Brit Global Markets, a unit of London-based Brit Insurance Ltd. The change comes as piracy has grown to unprecedented levels. Last year pirates hijacked 49 ships, took 889 crew members hostage and fired on another 46 vessels, according to the International Maritime Bureau’s Piracy Reporting Center. There were 111

See PIRATES page 30

Errors & Omissions

■ In the March 23 Bermuda Market Report supplement to *Business Insurance* (also available at www.BusinessInsurance.com), an interview with Matthew Elderfield, chief executive officer of the Bermuda Monetary Authority, contained an error. The BMA is examining mutual recognition of regulatory models and intends to approve models gradually, not in a very compressed time period as originally stated. ■ An “Up Close” item in the March 23 issue misstated the job title of Peter Gale of Louisiana Workers Compensation Corp. Mr. Gale is senior vp of insurance services.

Out-of-network pay fight expands

Physicians sue Wellpoint in latest dispute over reimbursement rates

By JOANNE WOJCIK

LOS ANGELES—The American Medical Assn. and four other medical groups filed suit last week against WellPoint Inc., accusing the Indianapolis-based health insurer of underpaying providers for out-of-network services. The lawsuit, filed in federal court in Los Angeles, where several of the co-plaintiffs are based, follows similar actions last month by the AMA against Aetna Inc. and CIGNA Corp. All three AMA suits allege that the insurers conspired with Ingenix Inc., a unit of UnitedHealth Group Inc., to set artificially low reimbursement rates for out-of-network

health care. A yearlong investigation by the New York attorney general into insurers’ use of the Ingenix database resulted in January and February settlements in which several insurers agreed to cease using the Ingenix database and to contribute to the cost of developing a replacement database operated by an independent third party. Despite the agreements, the Chicago-based AMA filed suit to recoup payments that should have been made to doctors while the Ingenix database was still in use, AMA President Dr. Nancy Nielsen said in a statement. “Now that the underlying scheme has been exposed, health

insurers are doing the right thing by cutting their ties with the flawed Ingenix database. However, serious damages resulting from prior use of the Ingenix database still need to be addressed,” Dr. Nielsen said. Other plaintiffs in the litigation are the California Medical Assn., the Connecticut State Medical Society, the Medical Assn. of Georgia and the North Carolina Medical Society. In response to the suit, WellPoint said in a statement that it “is committed to providing appropriate reimbursement for out-of-network services. We are in the process of reviewing the complaint and are unable to comment further at this time.”

CMS move puts focus on health billing

Government action increases pressure on hospitals to provide better care

By JEFF CASALE

CHICAGO—An effort to reduce overpayment for medical procedures and patient care by the Centers for Medicare & Medicaid Services is putting pressure on hospitals and health care providers to comply with new recovery audit rules and provide better patient care. The federal government is grappling with ways to provide better, more affordable health care as it works to reform the U.S. system. One way they’re looking to rein in costs is by reducing overpayments for care due to improper billing, which includes health care providers charging for hospital-acquired conditions, also known as “never events.” Effective April 1, 2008, CMS said it would not pay for care associated with hospital-acquired conditions proper documentation was provided of conditions that were present



on admission. These practices are aimed at providing better quality care, rather

than collecting a fee for service, said Katherine M. Keefe, a King of Prussia, Pa.-based attorney who leads the health law practice for Marshall, Dennehey, Warner, Coleman & Goggin, during a session at the Professional Liability Underwriting Society’s Medical PL Symposium in Chicago last week. The move by CMS is going to force health care providers to “better coordinate care and develop better risk profiles,” she added. The government’s value-based programs are going to force health care providers, particularly hospitals, to be even more vigilant in coding, billing and documenting claims to comply with CMS’ recovery audit contractors, who will be looking to recoup overpayments on bills for Medicare patients, including those for so-called never events. Never events include an object left

See COSTS page 30

**THERE ARE ALWAYS NEW ITEMS ON THE MENU HERE.
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Commentary

No real health reform without tort fix, too

Even though official Washington's attention has been focused on matters such as American International Group Inc.'s payment of bonuses to executives associated with its financial products division and how banks have been spending their bailout money, President Obama has promised to pursue major initiatives not directly related to the economic meltdown. One of the biggest is reforming the nation's health care system.

Remember, President Clinton's attempt to reform the health care system crashed and burned so spectacularly that it helped cost the Democrats control of the House and Senate for most of the next dozen years. President Obama is no clone of President Clinton, and the new president's inclusive approach to health care reform represents a 180-degree turn from the secrecy that marked the Clinton White House's failed approach.

But so far, something is missing from the bare outline of a prescription for health care reform that the White House has revealed: controlling the legal liability costs associated with health care.

In fact, the outline posted on the White House Web site mentions medical malpractice liability only in the context of what should be done to "make health insurance work for people and businesses—not just insurance and drug companies." The bullet point reads: "Prevent insurers from overcharging doctors for their malpractice insurance and invest in proven strategies to reduce preventable medical errors."

To wring costs out of the health care system, consideration of medical malpractice has to receive more than a sound bite-length slap at insurance companies. The legal liability system dealing with medical issues will have to undergo some reform as well.

And that's not going to be easy. The previous Republican administration, which billed itself as pro-tort reform, talked about medical malpractice liability reform but achieved little. The current administration, which enjoyed the support of the plaintiffs bar during last year's campaign, hasn't bothered to even talk about tort reform.

The administration must address the legal system's relation to health care costs if it truly wants reform. We're not talking about sweeping changes. Simply admitting that some rights of recovery—such as those for noneconomic damages—may have to be limited some-



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HOFMANN**

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what in order to control health care costs.

The president has shown he has an open mind when it comes to some aspects of tort reform. As a senator, he supported the Class Action Fairness Act that allowed parties in certain class actions to have the cases moved to federal court. That was hardly a popular position to take in the face of opposition from some of his most powerful sup-

Perhaps a liberal Democrat can get the ball rolling on medical liability reform.

porters, but he took it.

He now has a chance to have his own Nixon-goes-to-China moment in regard to health care. Just as a hawkish Republican could credibly take the first steps to open relations with Communist China, perhaps a liberal Democrat can get the ball rolling on meaningful and fair medical liability reform.

Medical liability costs are not the sole driving force behind rising health care costs. An aging population and more effective—and expensive—treatments are driving costs as well. But no one wants to deny care to the elderly or curtail medical research in the name of holding down costs. The public won't buy either approach, and there's a limit on significant productivity gains that can be made in a labor-intensive undertaking such as medical care.

Curbing medical liability costs through caps on some types of damages has to be part of the overall health care reform effort. A prescription lacking that legal ingredient seems unlikely to provide any long-term cure to the problems that afflict the U.S. health care system.



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Business Insurance OPINIONS

Geithner's comments raise hopes for OFC

TO SAY TREASURY SECRETARY Timothy Geithner's comment on optional federal charters is encouraging would be an understatement.

In fact, Mr. Geithner's comment that a "good case" could be made for introducing OFCs is the strongest indication to date that the Obama administration may favor this desirable reform. Mr. Geithner's comment, along with his support of establishing an Office of Insurance Information at the federal level, couldn't have come at a better time.

As we report on page 1, Mr. Geithner's remark came during an appearance before the House Financial Services Committee during which he discussed the administration's plans for tighter regulation of financial services firms. He made clear that some insurers could be subject to heightened federal oversight.

The catch is that, unlike any other major industry, insurance remains regulated almost exclusively at the state level. Unlike the banking or securities industries, insurance has no federal regulator that also can act as an advocate for the industry, when appropriate. With the administration considering instituting a new superregulator that would broaden powers over all facets of financial services and pondering how to structure a system to regulate systemic risk, the insurance industry cannot afford to be without representation at the federal level.

Establishing an Office of Insurance Information within the Treasury Department, as advocated by Rep. Paul Kanjorski, D-Pa., would be a welcome first step. That would provide necessary insurance expertise at the highest levels of government.

But the effort shouldn't stop there. Having a federal insurance regulator will give insurers a voice they lack during this time of economic turmoil. Simply by saying a "good case" can be made for the OFC, Mr. Geithner has helped make the case for one as well.

E.U. insurer cooperation can help risk managers

WHILE COMPETITION between insurers usually benefits their customers, it's encouraging to see that European regulators are taking a nuanced approach as they modify European Union competition laws.

As we report on page 1, the European Commission last week said that if it goes ahead and lifts its current protections for insurers that cooperate on policy wordings, it likely will give some guidance on what sort of cooperation will pass legal muster.

A first glance, it might seem that lifting the so-called block exemption for insurers would benefit buyers, as they would be more likely to compete on policy wordings in addition to price. But in subscription markets, which are needed to accommodate large risks, agreement on policy wordings benefits buyers, as it provides consistency of coverage. It also makes it easier for smaller insurers to participate and, thus, increase capacity.

In addition, coverage for hard-to-place risks, such as environmental exposures, is still evolving, and the market will benefit—at least for the immediate future—from cooperation between insurers.

Ideally, the commission should leave the exemption intact, but as that battle already appears to be lost, issuing guidance on what will be legally acceptable is the next best thing.

We are all for insurers vying to provide the best products for buyers, but unbridled competition does not always produce the best results.

A federal regulator will give insurers a voice they lack.



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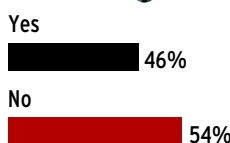
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Q: If you worked at a company that received TARP funds, would you return your bonus?

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Businesses need better awareness of levee risks

There are an estimated 100,000 miles of levees in the United States, but many businesses may be unaware their facilities could be devastated should water overtop or breach a levee, says Carol G. Barton, senior vp of underwriting and reinsurance for Factory Mutual Insurance Co., which does business as FM Global. There are a number of steps that businesses can take to better protect their operations, Ms. Barton says.

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RIMS to help buyers face challenging times

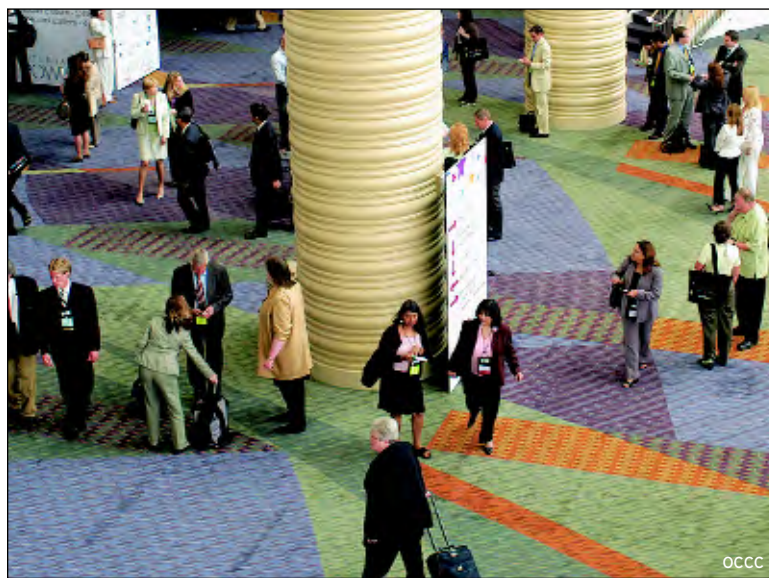
Profession is facing growing demands in tough economy

By COLLEEN MCCARTHY

ORLANDO, Fla.—Risk managers attending the Risk & Insurance Management Society Inc.'s 2009 Annual Conference & Exhibition will be challenged to embrace change and think strategically, organizers say.

The theme for this year's April 19-23 conference in Orlando, Fla., is Challenge Your Risk IQ, chosen in part to reflect the growing demands of the risk management profession amid financial market turmoil, RIMS leaders say.

Given today's economic conditions, "the risk management industry has been placed into the spotlight, and risk practitioners are being asked to re-evaluate their risks



The 47th annual RIMS conference will be held in Orlando, Fla., April 19-23.

and exposures," said Mary Roth, executive director of New York-based RIMS.

Developing strategies to meet

such challenges "requires practitioners to move beyond their comfort zone," Ms. Roth said. To emphasize that, "there will be a lot

of discussion about embracing change."

This year is the 47th annual RIMS conference and exhibition, and the second time Orlando has hosted the event.

Attendance so far is down from last year, which drew nearly 10,000 risk and insurance professionals and service providers, RIMS leaders said.

"We expected fewer people given the economic climate," Ms. Roth said. However, she said, advance registration indicates that organizations' "key decision makers will be present" for the "still substantive" conference.

The event features more than 400 speakers leading 120 educational workshops, 15 of which will focus on enterprise risk management, an area RIMS continues to promote.

Other sessions will cover claims management, captives, disaster recovery, finance, legislative and

See **RIMS** next page

NEXT SPOTLIGHT: April 20 - Risk Manager of the Year



The opening reception for RIMS 2009 will be at Epcot Center's World Showcase Pavilion in Orlando, Fla.

RIMS: Risk managers ready for challenge in Orlando

CONTINUED FROM PREVIOUS PAGE

regulatory issues and loss control. Some sessions are customized for industries that include health care, construction, energy and higher education.

Organizers gave preference to topics that were timely and practical "so attendees can return to their jobs and apply the knowledge immediately," said Leesha Heard, chair of the RIMS conference programming committee and former director of risk management for Las Vegas-based Ameristar Casinos Inc. Some sessions that already have more than 200 people registered

include "Gotcha! Top 10 Litigation Traps for Risk Professionals," which identifies legal pitfalls and how to avoid them, and "Who Owes Whom What? Indemnity and Additional Insured Issues," that focuses on contract negotiation strategies, certificate of insurance concerns and settlement issues.

Several other sessions have attracted roughly 200 registrants, including "15 Minutes of Fame—Make Hard-Hitting Presentations to Senior Management" and "Risk Manager Toolkit," which features members of RIMS' quality advisory council discussing industry standards and checklists.

Recently added so-called "hot topic" sessions include "Navigating the Financial Tsunami," "Five Questions to Ask Before Switching Insurance Companies," "D&O Insurance During the Economic Crisis," and "Insurance Coverage for Subprime Mortgage Lawsuits."

Keynote presentations, which will focus on themes of leadership and change, include author and change consultant Dennis Perkins, who will outline his 10 leadership strategies for success in the Monday, April 20, general session and keynote address. The keynote luncheon on Tuesday, April 21, will feature Harvard Business School

professor and author John Kotter, who will discuss how to successfully implement business transformation. Financial journalist Roger Lowenstein will talk about the global credit crisis at the keynote breakfast on Thursday, April 23.

Also at the conference, RIMS is offering an ERM Center of Excellence exhibit hall booth where attendees can meet with RIMS committee members and other experts.

RIMS is also incorporating a variety of social networking aspects into the event as members will be posting messages via *Twitter.com* and blogging from the conference. In addition, RIMS' online membership directory can be utilized as a professional networking site for members to create profiles and communicate.

There will be about 400 exhibitors, roughly the same as last year, and new features have been added to create a "learning lab atmosphere," Ms. Roth said. The

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'The industry has been placed into the spotlight and risk practitioners are being asked to re-evaluate their risks...'

Mary Roth, Risk & Insurance Management Society Inc.

space will have a multimedia room, a publication lounge, and other work and meeting spaces "to foster networking," Ms. Roth said. Several networking events are planned for the exhibit hall, including a wine and cheese reception on Tuesday, April 21, and a RIMS 2010 kickoff networking luncheon on Wednesday, April 22.

In addition to the planned events, organizers encourage everyone to take advantage of networking opportunities available throughout the week.

"Where else can you meet 10,000 people?" Ms. Heard said. "These are your peers. They care about the same things you do. They are being kept awake at night by the same worries. Talk, share, discuss ideas," she said.

Things kick off Sunday evening, April 19, with the opening reception at Epcot Center's World Showcase Pavilion.

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RIMS' Chicago Chapter presented the first half of its \$100,000 pledge to the Spencer Educational Foundation Inc. at the REBEX conference in the fall. From left: Chapter President Alan Kubitz, director-risk management, The HAVI Group L.P.; George M. Gogola, director-facilities and risk management, College of American Pathologists; RIMS board member Dan Kugler, assistant treasurer-risk management, Snap-on Inc.; and Julie A. Mehr, risk manager, Duchossois Industries Inc.

MICHAEL MARCOTTE

Spencer celebrating 30 years of helping educate risk managers

Chicago chapter pledges \$100,000 to foundation

ORLANDO, Fla.—The Spencer Educational Foundation Inc., administered by the New York-based Risk & Insurance Management Society Inc., is celebrating its 30th year of providing grants and scholarships to students of risk management.

The foundation was established by the Atlanta RIMS chapter in 1978 to honor former RIMS President Robert S. Spencer. Mr. Spencer, the former vp-insurance at Fuqua Industries Inc. in Atlanta who died in 1979, was an outspoken advocate of the risk management profession.

To celebrate the anniversary, the foundation is holding a New York gala on Sept. 10 to honor J. Patrick Gallagher, chairman and chief executive officer of Itasca, Ill.-based Arthur J. Gallagher & Co. for its 18-

year commitment to the foundation and to honor the founding Atlanta chapter.

The foundation this year has awarded 33 scholarships totaling \$163,000 and grants totaling nearly \$105,000. Major donors in 2008 included the Chicago RIMS chapter, which pledged \$100,000 to establish the Risk & Insurance Management Society Chicago Chapter Scholarship.

See **SPENCER** page 16

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Volunteerism continues during RIMS conference

ORLANDO, Fla.—Attendees of the Risk & Insurance Management Society Inc.'s 2009 Annual Conference & Exhibition can again participate in a community service project in the area that hosts the meeting.

On Sunday, April 19, volunteers can help improve the facility and grounds of Give Kids the World Village, a non-profit, 70-acre resort in Kissimmee, Fla., for children with life-threatening illnesses. The organization fulfills the wishes of children—a group defined as those between ages 3 and 18—who want to visit Orlando's popular theme parks and attractions.

RIMS volunteers will help with maintenance projects that include painting, installing fencing, yardwork, gardening, assembling welcome kits and other projects at the facility.

"This is the third annual community service day and it's a real success. We like to give back to the community when we come to town," said Mary Roth, RIMS' executive director.

At last year's conference, nearly 200 volunteers helped clean up in and around the King-Chavez Academy of Excellence charter school in San Diego.

Anyone interested in participating can register online at www.rims.org. A light breakfast and box lunch will be provided.

—By Colleen McCarthy

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Spencer: Celebrating 30 years of aiding risk management education

CONTINUED FROM PAGE 14

2009 scholar awards, which are \$5,000 for undergraduate studies unless otherwise noted, have been made to:

Julie Bahnick, Temple University, John T. Lockton Memorial Scholarship (half-year award of \$2,500);
Stephanie Balbach, Indiana State University, John T. Lockton;
Allison Dender, Washington University, John T. Lockton;
Cecelia Emmons, Indiana State University, September 11th Memorial Scholarship;
Justin Gargus, Olivet College, FM Global Scholarship;

Joshua Haselton, Olivet College, John T. Lockton;

Brandon Hunter, Indiana State University, Zurich Financial Services Scholarship;

Terry Ketzner, Indiana State University, John T. Lockton;

Nathan Lloyd, Indiana State University, Joseph P. Holwerda Memorial Scholarship;

Sara Mays, Indiana State University, John T. Lockton;

Alexander Moore, University of Georgia, E.J. Leverett Memorial Scholarship;

Amanda Mazingo, Virginia Commonwealth University, FM Global Scholarship;

Eva Must, Temple University, Thomas Regan Memorial Scholarship (half-year award of \$2,500);

John Raftis, University of Iowa, RIMS Chicago Chapter Scholarship

Bradley Robinson, Ball State University, John T. Lockton;

Lauren Rozsits, St. Joseph's University, John T. Lockton;

Mariya Skovardanova, Georgia State University, RSA/Douglas Barlow Memorial Scholarship (\$7,500);

Cidney Thomas, Temple University, XL Capital Group/Ian R. Heap Memorial Scholarship (half-year award of \$2,500);

David Walters, Indiana State University, John T. Lockton;

Margaret Warden, University of Georgia, RIMS Atlanta Chapter Scholarship;

Jahvon Washington, St. John's University, Ellen Thrower Scholarship;

Paige Williams, Indiana State University, John T. Lockton;

Vincent Baldino, Temple University, General Fund Scholarship;

Kristine Bataclan, University of Wisconsin-Madison, General Fund Scholarship;

Tanisha Brangman, Temple University, General Fund Scholarship (half-year award of \$2,500)

Adam Camargo, Illinois State University, General Fund Scholarship;

Brian Ford, Florida State University, General Fund Scholarship;

William Gant, Temple University, General Fund Scholarship (half-year award of \$2,500)

Michael McGonigle, New Mexico State University, General Fund Scholarship;

Matthew Shoaf, Temple University, General Fund Scholarship;

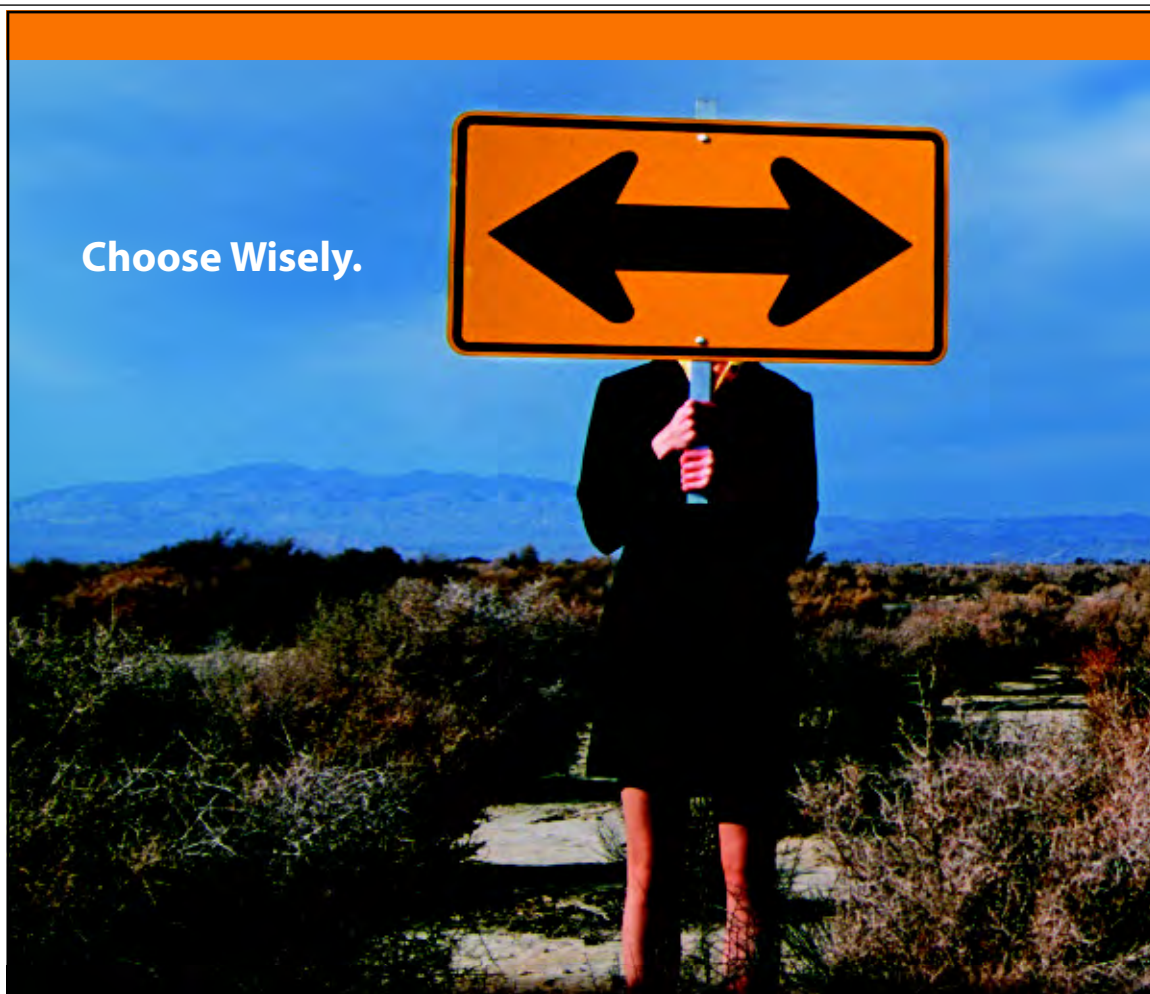
Scott Struthers, Temple University, General Fund Scholarship (half-year award of \$2,500);

Marcos Alvarez, University of Toronto, General Fund Scholarship (master level of \$10,000);

Stephen Fier, Florida State University, General Fund Scholarship (predissertation Ph.D. award of \$10,000).

More information on the Spencer Educational Foundation is available on the foundation's Web site at www.spencered.org.

A list of the Spencer Foundation contributions and pledges, made as of Dec. 31, 2008, can be found online at www.BusinessInsurance.com/RIMS2009.



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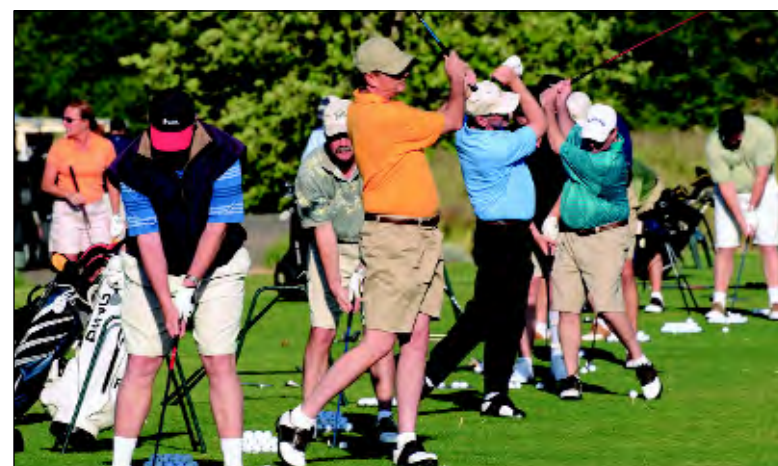
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MICHAEL MARCOTTE

RIMS attendees take practice swings before the Spencer/Gallagher Golf Tournament held last year in San Diego.

Golfers, hockey fans show support at RIMS

ORLANDO, Fla.—As part of the annual conference of the Risk & Insurance Management Society Inc., sporting events support the Spencer Educational Foundation Inc.

At this year's gathering, RIMS attendees will support the foundation by participating in either the Spencer/Gallagher Golf Tournament or the Napco Spencer Cup Hockey Tournament, both of which will be held on Sunday, April 19.

Arthur J. Gallagher & Co. this year is sponsoring the fundraising event, the 18th year of sponsorship for the Itasca, Ill.-based brokerage. In the previous 17 years, about \$1 million has been raised to support the foundation's efforts to advance education in risk management.

Golf

The 18th Annual Spencer/Gallagher Golf Tournament will be held at the Orange County National Golf Center and Lodge in Winter Garden, Fla. Time remains to sign up. April 10 is the deadline to register your foursome or sign up individually and be placed in a team.

The entry fee is \$325 per person.

This includes transportation, green fees, golf cart, range balls, two muligans, breakfast, lunch and drinks (water, soft drinks and beer) for use on the course.

Buses will leave from the Peabody Orlando at 6:30 a.m. Sunday, April 19.

You can register online at www.ajg.com/spencergolf or call Lauren Cavanaugh at Arthur J. Gallagher at 225-906-0143 for more information.

Hockey

The Napco Spencer Cup Hockey Tournament, hosted by Edison, N.J.-based broker Napco L.L.C., is a game between Team USA and Team Canada.

The tournament will be held at the USA on Ice, Dowdy Pavilion at 7500 Canada Ave., Orlando, Fla. 32819 on Sunday, April 19 from 10 a.m. to noon.

The \$200 fee includes the game and lunch, which is filled. Spectators still can watch the game for \$10

For more information on the Napco Spencer Cup Tournament, contact Pamela Conti at Napco at 732-603-2065 or by e-mail at pconti@napcollc.com.

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For the first time ever, *Business Insurance* and RIMS are partnering to publish the official Show Daily of RIMS 2009, Monday, Tuesday and Wednesday of conference week.

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BI's RIMS Show Daily will also be widely distributed at conference venues. A PDF of each daily edition will be available online, so attendees and non-attendees will have access to the news, information and analysis they look for in *Business Insurance*.

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Magic Kingdom a hit for adults, kids

Theme park offers variety of attractions to please everyone

By JERRY GEISEL

ORLANDO, Fla.—If you have time to visit only one area in the huge Walt Disney World Resort, which would it be?

Judging by the long lines at many rides—and numerous strategies devised to ameliorate ride waiting time—it is likely the Magic Kingdom is the theme park of choice. Indeed, the Magic Kingdom's daily attendance tops any other U.S. theme park, according to Amusement Business magazine.

One can understand why throngs are attracted to this 107-acre park, which was the first Disney opened in Lake Buena Vista, Fla., in 1971. With its world-class roller coasters, classic fantasy attractions, numerous shows and parades and its detailed recreation of the American past, Magic Kingdom truly has something for everyone.

To get the most out of Magic Kingdom, though, planning ahead



Magic Kingdom at the Walt Disney World Resort still is a big draw for adults and children.

is essential because it is impossible to see and do everything in one day. Regardless of what you want to

do at Magic Kingdom, the starting point is Main Street U.S.A., one of seven lands that spread out like a wheel from a hub in front of Cinderella Castle.

Main Street is a recreation of a 19th century small town. Stop by City Hall to pick up a map and a schedule of daily events. Main Street also is the place to board the Walt Disney World Railroad for a 20-minute scenic ride around the perimeter of Magic Kingdom, with stops at Frontierland and Mickey's Toontown Fair.

Adjacent to Main Street is Adventureland, the home of several hugely popular attractions. One not to be missed is Pirates of the Caribbean, a seven-minute indoor boat ride that cruises through such sets as pirates raiding an island settlement.

Other worthwhile attractions included are the Jungle Cruise, a 10-minute outdoor boat ride that takes passengers past scenes with anima-

Continued on next page

Epcot is a whole different kind of world at Disney

ORLANDO, Fla.—Starting with its name, Epcot is a different kind of Disney world.

Short for Environmental Prototype City of Tomorrow, Epcot was Walt Disney's vision of a thoughtfully organized community for Disney employees—Epcot would be a world unto itself raising its own food and providing medical care to residents.

Although the death of Walt Disney in 1966 ended those dreams of assembling a utopian city, Disney developers put together a complex of pavilions that showcase U.S. industry and the cultures of foreign countries, among other things.

And even though Disney's vision was not realized, decades after its opening in 1982, Epcot retains a futuristic appearance,

the Land Pavilion, whose theme is environmental issues. There, they can watch "Circle of Life," a film about how the world's delicate ecological balance can be easily upset.

Nearby is the Imagination! Pavilion, which includes "Honey, I Shrunk the Audience"—a 3-D offshoot of the Disney movie "Honey I Shrunk the Kids." Moviegoers don 3-D glasses and are treated to a variety of special effects, including one that makes it appear as if they have indeed shrunk.

A short walk away is the Test Track Pavilion, which includes a collection of transportation-related exhibits and an automobile test track simulator ride. Visitors sit in a futuristic model car that races up and down hills and other terrain on a track.

Test Track Pavilion is the last stop before entering the other half of Epcot: World Showcase, which includes pavilions from nine foreign countries and one from the United States. The pavilions replicate the distinctive landmarks, such as France's Eiffel Tower and the pagodas of Japan.

High marks go to the French pavilion for its replication of French urban life in the late 19th century. The French pavilion also features "Impressions de France," an 18-minute movie, which showcases France's people, cities and scenic beauty. Not surprisingly, given the country's rich culinary tradition, the pavilion's restaurants, cafes and a takeout pastry shop are superb.

At the United Kingdom pavilion are numerous shops and, for a bit of relaxation, there is the Rose & Crown Pub and Dining Room, which features pleasant views and numerous English and Irish beers.

Also worth a visit is the Morocco pavilion with its crowded bazaar and exotic feel. Restaurant Marrakesh, with its North African entrees, is a decided change from the omnipresent fast-food items elsewhere in much of Disney World.

The Norway pavilion includes numerous Scandinavian-style buildings as well as Maelstrom, an indoor adventure boat ride. The five-minute ride in dragon-headed ships is a journey through the world of Norse and Viking mythology, with the ships crossing through gorges and waterfalls with a sprinkling of trolls along the way.

At closing time, Epcot visitors can watch "Illuminations," an outdoor extravaganza combining fireworks, lasers, lights and music.

—By Jerry Geisel



symbolized by Spaceship Earth, the 180-foot geodesic sphere that is the equivalent of Magic Kingdom's City Hall. It is here where attendants man information booths and where same-day reservations can be made at Epcot's numerous restaurants.

After reservations are made, visitors can focus on the entertainment and education Epcot offers. The park is neatly divided in two: Future World, whose theme is mankind's past, present and future, and World Showcase, which features numerous foreign pavilions with culture and cuisine from around the world.

For many visitors, the highlight of Future World is Spaceship Earth, which refers not only to Epcot's landmark structure, but also a 15-minute ride that traces man's developments in communications from cave paintings to space communications and computer networks.

On the left side of Spaceship Earth is the Universe of Energy, where pavilion seats become passenger traveling cars that glide through a rain forest and swamps, while the passengers feel the moist air.

On the other side of Spaceship Earth is the Seas with Nemo & Friends Pavilion. It includes a huge aquarium, which houses sharks, dolphins, sea turtles and sting rays. Entering the pavilion, visitors can go straight to a ride through the aquarium where special effects make it appear that the animated characters of Nemo & Friends fame are swimming with the real fish.

Next, visitors can move on to

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CONTINUED FROM PREVIOUS PAGE

tronic elephants, lions and other jungle creatures.

Especially appealing to kids is the Swiss Family Treehouse that, as the name suggests, is an elaborate replica of the shipwrecked Robinson family's treehouse as portrayed in the 1960 Disney movie.

Moving clockwise, next is Frontierland, home to Disney's famed Splash Mountain ride. This 10-minute indoor and outdoor ride sloshes through swamps, caves and encounters with dozens of animatronic characters that pump out songs such as "Zip-a-Dee Doo Dah." The climax is a five-story drop.

Riders do get splashed, which is why savvy travelers pack lightweight ponchos and don them before boarding Splash Mountain.

Another not-to-be-missed Frontierland ride is Big Thunder Mountain Railroad, a roller coaster that twists and turns its way past a mining town and falling rocks. A tip for parents with young children: A parent should sit at each end of the car with the child in the middle to minimize the effects of fast and sharp twists and turns. Children under age seven must be accompanied by an adult, while a 40-inch height requirement is imposed.

Moving along, there is Liberty Square. One attraction to see at the Revolutionary War-era recreation is the Hall of Presidents, which features a 23-minute film that starts with the Constitution and then introduces the U.S. Presidents, including words of encouragement from an animatronic President Lincoln.

Nearby is perennial favorite the Haunted Mansion, where visitors riding Doom Buggies are transported through the house loaded with ghosts and skeletons and then through a graveyard.

Next stop is Fantasyland, a hit with kids and for adults looking to rekindle childhood memories of songs and characters that were part of Disney's television show first known as "Disneyland" and later the "Wonderful World of Disney," that was launched in 1954 and continued for decades.

It's a Small World is another trip down memory lane as visitors riding in huge teacups tour the world with dancing dolls dressed to represent the countries of the world and

singing the enchanting song, "It's a Small World."

Other popular rides include Mad Tea Party and the Many Adventures of Winnie the Pooh. At Peter Pan's Flight, visitors ride in a flying pirate ship over London of centuries ago and then to Neverland.

Last on the tour of Magic Kingdom is Tomorrowland, with its star attraction: Space Mountain, an enclosed roller coaster ride that hurtles through "Outer Space" with sudden, unexpected drops.

Magic Kingdom is far more than just rides. There is live entertainment galore including afternoon and evening parades and an evening fireworks show. Anywhere on Main Street is a good spot to watch the displays.



DISNEY

The popular Space Mountain is an enclosed roller coaster that includes sudden, unexpected drops on a trip through "Outer Space."

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DISNEY

Splash Mountain takes riders through swamps and caves before taking a five-story drop.



Actors perform “Festival of the Lion King” recently at Animal Kingdom at Disney World in Orlando, Fla.

Magic of Disney alive on stage

Broadway shows offer many interpretations of Disney smash hits

By ROSEANE WHITE GEISEL

ORLANDO, Fla.—Get the most from your DisneyWorld dollars by adding some Broadway excitement to your visit. “Festival of the Lion King,” a mini version of “The Lion King” musical, pours the heart of the show into about 30 minutes and is delightful for adults and children. While “Festival” does not follow the original story line, it contains the musical’s essential elements.

Actors in African tribal dress and lions in yellow and orange costumes are a feast for the eyes. They dance and sing with electrifying energy. The actors are joined by enormous automated animals that grace the African savannah, including a warthog and a giraffe. The trapeze artists and a performer twirling a fire ring add some upscale circus-type pieces to the production. One of the most inspirational and emotional moments of the

show comes from the singing of “Can You Feel the Love Tonight?” accompanied by aerial ballet. The show is performed several times daily in the Camp Minnie-Mickey area of Animal Kingdom. A schedule of show times, available at the park, suggests arriving at the theater 45 minutes prior to the performance time. On a recent weekday, however, it was possible to get in minutes before and still obtain good seats.

Finding Nemo

Another Animal Kingdom attraction, “Finding Nemo—The Musical,” won’t take your breath away as much as “Festival of the Lion King,” but it still is a fabulous show and an eye-candy indulgence. The story is largely told through actors carrying large flag-like puppets or hand puppets representing a rainbow of fish and sea creatures. Magnificent jewel-toned fish and sea animals dazzle the audience in scenes featuring the dentist’s office aquarium and on rocks in the scenes underwater. The show envelops the theatre with special effects, including a brief thunderstorm, flashing lights and a ceiling covered with kite-like sea life. This show follows the movie story line more closely than “Festival of the Lion King,” and the shortened version makes it even more entertaining for those familiar with it. The soundtrack favorites, on the other hand, are equally enjoyed by everyone in the audience. “Beyond the Sea,” the movie’s theme song, is touching and, certainly, “Just Keep Swimming,” takes on new meaning with today’s economy. As with “Festival,” the 45-minute advisory was unwarranted in this theater, located in the DinoLand U.S.A. section of Animal Kingdom. The performance lasts fewer than 30 minutes.

Beauty and the Beast

“Beauty and the Beast—Live on Stage” is another of what Disney calls “Broadway-style” musicals. “Beauty” is performed in the Sunset Boulevard section of Disney’s Hollywood Studios, formerly called MGM Studios. In the Animation Courtyard of Disney’s Hollywood Studios, live shows include a 17-minute “Voyage of the Little Mermaid” and “Playhouse Disney—Live on Stage,” a new, carpet seating-only production for the youngest visitors. If you want to see a more sophisticated show and are willing to plan ahead and pay for a ticket, Cirque du Soleil’s “La Nouba” is playing permanently in Downtown Disney West Side at the troupe’s eponymous theatre. Shows are Tuesday-Saturday, at 6 p.m. and 9 p.m. Tickets, which range from \$53 to \$117 for adults and \$43 to \$94 for children ages 3 to 9, are available at cirquedusoleil.com, Disney resorts and many area hotels and at the theater box office.

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Area attractions focus on wonders of nature

Options range from quiet walks to safari and rapids rides

By ROSEANNE WHITE GEISEL

ORLANDO, Fla.—Amid the man-made magic at Walt Disney World, Animal Kingdom provides some quiet spots to enjoy natural wonders and learn ecological lessons.

The Pangani Forest Exploration Trail in the Africa section will amaze adults and children and provides a respite from the sensory overload elsewhere. Walking along the trail between thick borders of foliage, it is possible to forget the surrounding theme park.

Early one March afternoon, many forest inhabitants allowed human visitors to gaze at their glory. The first sighting was an okapi, a shorter relative of the giraffe with a shorter neck and zebra-like

insect species.

Beyond Disney and closer to downtown Orlando, the Aquatica water park opened about one year ago across from its sister attraction, SeaWorld. Those parks and others are owned by Worlds of Discovery, formerly Busch Entertainment Corp.

Aquatica is landscaped to represent the South Sea Islands. It provides visitors a chance to interact with and learn about animal life and conservation, while enjoying daring slides, wave pools, raft rides, rapids and other attractions.

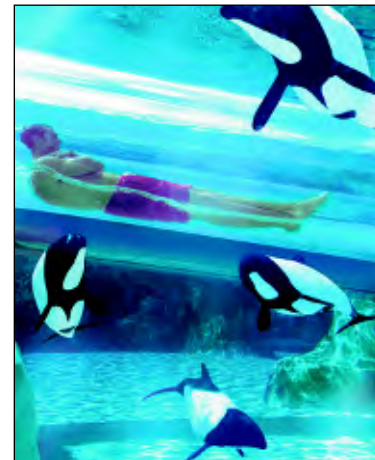
Aquatica is home to Commerson's dolphins, an energetic, often upside-down relative of the killer whale. The signature slide, called Dolphin Plunge, takes visitors in enclosed tube slides down 250 feet to the dolphin habitat, though at a speed that makes it hard to see these creatures. The dolphins are more easily viewed from Dolphin Lookout or Loggerhead Lane. A fish grotto offers a close-up look at rainbows of tropical fish. Aquatica's bird life includes colorful, talkative macaws.

The water park also has a beach

area with lounge chairs. To help prevent the ramifications of too much sun, cabanas can be rented for between \$150 and \$175 per day for up to four people, \$30 for each additional person to a maximum of seven. Beach towels and lockers can be rented.

The general admission is \$41.95 for adults and \$31.95 for children ages 3 through 9.

Aquatica is located off of Interstate 4 near the entrance to the Beachline Expressway. For more information, visit aquaticabyseaworld.com.



AQUATICA

Aquatica's signature attraction, the Dolphin Plunge, sends riders down 250 feet of clear tubes and through a lagoon that contains Commerson's dolphins.



JERRY GEISEL

Silverback gorillas are one of the most interesting attractions at Disney World's Animal Kingdom.

stripes on its hind legs that is indigenous to the Congolese rain forests. The next sighting was a hippo, leisurely bathing. But most fascinating were the gorillas; they sat alone or in clusters, arms folded, occasionally getting up to take a casual stroll.

Another wonderful experience in the Africa section is the Kilimanjaro safaris. Open-air safari vehicles driven by knowledgeable guides bump through Florida's version of the African savannah, where passengers may see more animals up close than on a real safari, including lions, giraffes, gazelles, elephants and rhinos.

At another Animal Kingdom location, Rafiki's Planet Watch, take the Wildlife Express train to the Conservation Station, where information about conservation, habitats and protecting the world is doled out in easily absorbed chunks manageable for children as well as adults. Then walk through the areas where the animals are cared for, and read the interesting notes the vets and naturalists have made during their daily rounds. Experts on hand will answer questions, and at certain times presentations are given about an animal or

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TOM REID

Orlando Museum of Art's glass and mixed media installation of "Therman Statom: Stories of the New World, 2009" is one of the many exhibits worth viewing at the museum.

Take in some culture at the art museum

Glass artists on display in Orlando

By ROSEANNE WHITE GEISEL

ORLANDO, Fla.—A visit to the Orlando Museum of Art would be worthwhile if only to see Dale Chihuly's magnificent Cobalt & Citron Tower in the main floor gallery, but several other exhibits also merit attention.

The blue and yellow-green glass tubes of the 6.5 foot sculpture by Mr. Chihuly, considered by many

the most prominent U.S. artist working in blown glass, twist and turn upward and outward from the base until they meet the yellow-green cylinders, which then take over the skyward journey.

After absorbing the tower's commanding presence, visitors can view the work of Therman Statom, a glass artist the museum describes as "a major figure in the studio glass movement." Mr. Statom studied under Mr. Chihuly and still considers him a mentor, according to the museum's Web site, www.omart.org.

The exhibit, titled "Stories of the New World," is an intriguing collection featuring the elements of glass, color, light and mirrors in pieces that range from simple yet elegant urns to large interactive installations. While it is satisfying just to walk through the gallery, which provides ample space to move freely among the pieces, a slower pace is required to understand the story being told.

"Statom (uses) Juan Ponce de Leon's 1513 search for the fabled fountain of youth as a point of departure to explore both historic and contemporary themes of hope, discovery, ambition and destiny," according to the museum's Web site. The exhibit runs until May 11.

The museum's other exhibits include, "Of Cloth and Culture," which presents the colorful and richly decorative cloth and textile arts of different African regions; and "Aztec to Zapotec," selections from the museum's Ancient Americas collection. This exhibit focuses on the work of civilizations in North, South and Central America from the late 15th and early 16th centuries.

The Orlando Museum of Art is located at 2416 N. Mills Ave. in Loch Haven Park. Admission is \$8 for adults, \$5 for children 4-17. Museum hours are 10 a.m. to 4 p.m. Tuesday through Friday and noon to 4 p.m. on Saturday and Sunday. The phone number is 407-896-4231.

Loch Haven Park also encompasses the Orlando Science Center at 777 E. Princeton St., a short walk from the art museum. The science museum, www.osc.org, has many exhibits for younger children as well as the Dr. Phillips CineDome, which offers giant-screen movies and planetarium shows. The alligator exhibit captures the attention of adults as well as children who watch these reptiles interact with each other. The museum is open daily except Wednesday, 10 a.m.-5 p.m. Tickets are \$17 for adults, \$15 for students and children. The phone number is 407-514-2000.

A central source of information on arts and culture in central Florida, in which the art museum and science center participate, is www.redchairproject.com. The Red Chair Project is a nonprofit cooperative of about 200 organizations that promotes awareness of and participation in central Florida's artistic and cultural offerings, as well as to support educational programs in the arts and culture realms.



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Celebration of community feeling found in Disney-inspired town

Easy atmosphere provides chance to relax, slow down

By ROSEANNE WHITE GEISEL

CELEBRATION, Fla.—Put aside concerns about the next renewal period, thoughts about enterprise risk management or discussions about reducing workers compensation claims. Visit the town of Celebration, Fla., and drink in the optimism and nostalgia for a slower-paced era when neighborhoods were neighborly.

Celebration, which was founded in 1994 and became an unincorporated town in Osceola County in 1996, is a planned community developed by the Walt Disney Co.

Walt Disney's concept originally was meant for EPCOT, an acronym for Experimental Prototype City of Tomorrow. Mr. Disney's idea was to provide a place where people could live, work and play.

The goal, successfully achieved, was to have an early 20th century feel with an old-fashioned main street. Most homes have front porches to promote interaction among neighbors.

"Celebration is conceived as a small Southeastern town with pre-1940s architecture," according to the Web site of Lincoln Property Co., which manages the town center.

The Celebration community Web site, however, offers a more modern perspective: "Celebration has successfully combined education, health, community, technology and architecture into a community with a strong sense of self. World-renowned architects designed Celebration to be a new and exciting place to live, work and play."

The town has won several awards for various aspects, from landscape architecture to infrastructure.

Downtown Celebration's focal point, a beautiful and relaxing spot, is Lake Evalyn and the promenade around it. On one side of the lake is a public gathering place with benches and a large fountain, a great place to sit and unwind. On another side sits the charming Celebration Hotel. Some Front Street restaurants, which include Café d'Antonio Ristorante (see story, page 25) and Celebration Town Tavern, offer al fresco dining with lake views.

After relaxing and enjoying a delicious meal at one of the great eateries, browse the shops on Market Street, downtown's main street. Shops on the 600 block of Market Street include Day Dreams, which sells dolls, bears and other gifts for children; the Village Mercantile, which sells women's and men's clothing; Soft as a Grape, which sells family resort wear; Lollipop Cottage, a children's clothing boutique; and Jewel Box, which also sells art and gifts. Other quaint shops can be found on Front Street and Celebration Avenue.

Celebration's sports and recre-

ation features include an 18-hole public golf course, walking paths and nature trails. Celebration hosts many family-oriented community events, including the Great American Pie Festival, to be held Saturday, April 25, from 11 a.m.-7 p.m. and Sunday, April 26, from noon to 5 p.m. The event, to be held downtown in Lakeside Park adjoining Lake Evalyn, features pie-baking contests, kids pie-making and The Never-Ending Pie Buffet.

The town's 9,000 residents live in

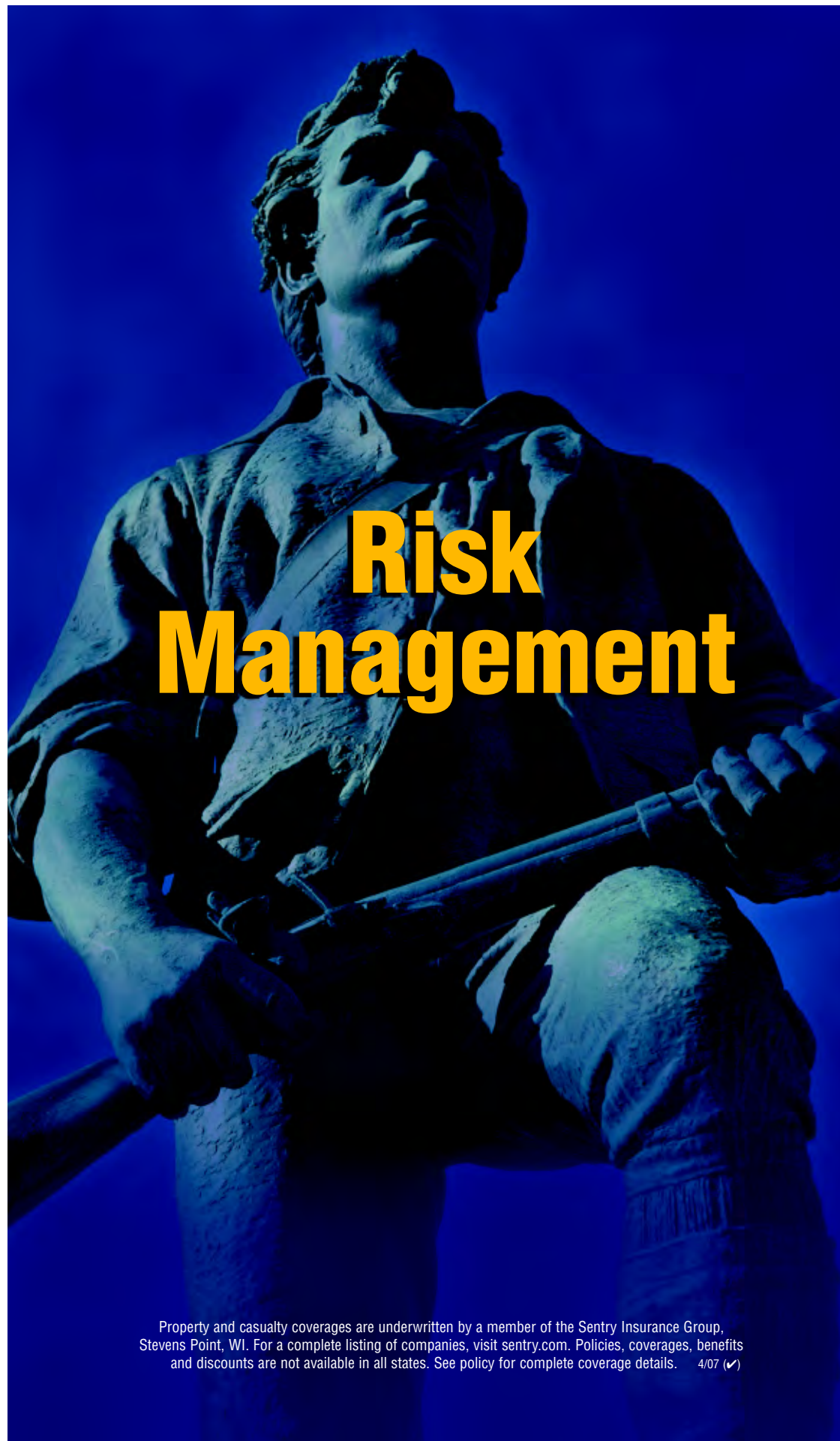
4,060 homes of various styles and sizes, including estate homes, condominiums and townhouses, the community's Web site says. The residences were developed in several phases.

Celebration is located south of U.S. 192, adjacent to Interstate 4. Allow about 30 minutes to drive from downtown Orlando, and about 20 minutes from Walt Disney World. Two roads connect Celebration directly to Walt Disney World: U.S. 192 and World Drive.



OCCC/MIKE SHARP

Celebration, Fla., is a model community based on an idea first conceived by Walt Disney. The downtown has a relaxed atmosphere where visitors can wind down, enjoy the shops and restaurants, and take in the view.



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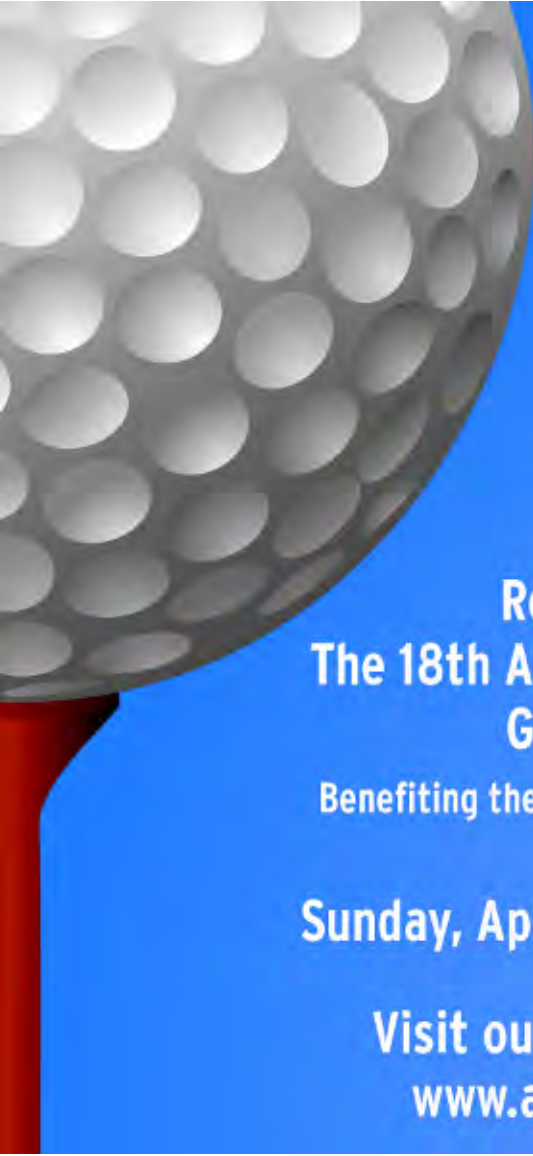
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Lake Eola Park, a popular Orlando destination established in 1888, is a sinkhole lake like many lakes in central Florida, according to the city's Web site.

Neighborhoods blend culture and history

Area takes on greater cosmopolitan feel

By ROSEANNE WHITE GEISEL

ORLANDO, Fla.—Much of Orlando's identity lies in its neighborhoods. In Thornton Park, College Park, downtown, Winter Park and other areas, signs of an increasingly cos-

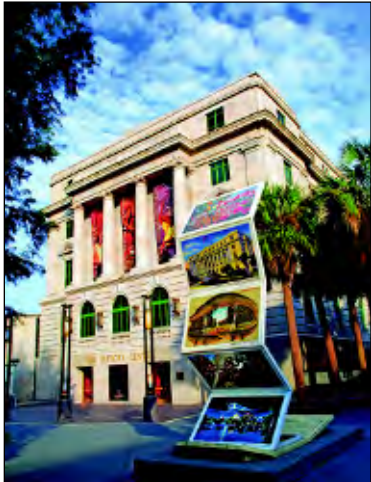
mopolitan city blend with evidence of its long history.

The Orange County Regional History Center, at 65 E. Central Blvd. in downtown Orlando, covers 12,000 years of history in three floors of exhibits. Visitors often are surprised that the region's history can be traced back that far, a center spokesman said. The exhibit shows how Walt Disney World "changed the face" of the region. It also "sheds light on the history (separate from) Disney" and highlights the different cultures that comprise the population, the spokesman said.

A short walk from the history center, Lake Eola and the park surrounding it are a centerpiece of downtown Orlando. Lake Eola and the park are bounded by East Robinson Street to the north, East Central Boulevard to the south, North Rosalind Avenue to the west and North Eola Drive to the east.

Nearby is the Thornton Park neighborhood, an area bounded by East Robinson Street to the north, the East West Expressway to the south, Summerlin Avenue to the west and North Brown Street to east. Thornton Park, one of the

Continued on next page



The Orange County Regional History Center, housed in a restored five-story courthouse built in 1927, is located in Heritage Square.

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Food choices satisfy business and pleasure

Diverse offerings range from 'dancing fish' to urban bistro

By ROSEANNE WHITE GEISEL

ORLANDO, Fla.—Wherever your dining plans fall on the spectrum from professional to personal, Orlando, Fla., and its environs have the right venue for the occasion.

Whether you're in a downtown neighborhood, steps from a theme park or in a nearby town, gastronomy is alive and well. The restaurant scene includes those owned by celebrity chefs, those related to restaurants in New York or Los Angeles, and those that reflect Florida roots.

If your dinner is meant to be an expression of appreciation to a client or an employee, or to enjoy a special evening with family or friends, **Todd English's bluezoo** in the Walt Disney World Dolphin Hotel, at 1200 Epcot Resort Blvd., will exceed your expectations for food, ambience and accommodat-

ing, polished service. Mr. English, a former Food Network Iron Chef, has earned two awards from the James Beard Foundation: National Rising Star in 1991 and Best Chef in the Northeast in 1994. He owns numerous restaurants nationwide and was named Bon Appetit magazine's 2001 Restaurateur of the Year.

The delightful yet relaxed décor is a sophisticated under-the-sea motif in blues and greens accented with coral, enhanced by glass-bubble light fixtures and other sea-related details.

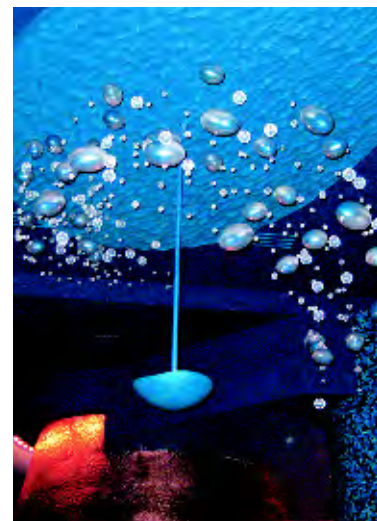
A highlight of the innovative menu, which the restaurant classifies

as coastal cuisine, is the daily offering of "dancing fish," which turn on individual, upright skewers in a glass-enclosed Teppanyaki grill that guests see en route to the dining room. The dish is served with a choice of three sauces. On a recent evening, the triple-tail fish was mild and succulent, accompanied by a sauce of warm crab, Dijon mustard and chives (\$32). The menu also includes meat, poultry and pasta items.

Savor the taste and presentation of the roasted beet salad that includes greens, goat cheese, candied walnuts and focaccia croutons

(\$11). The colorful cubes of beets sparkle like jewels on the plate. Bluezoo's award-winning pastry chef's desserts are a magnificent culmination of a memorable meal. It is hard to decide which can make a diner more euphoric: the warm chocolate cake with liquid ganache center (\$13); the milk chocolate and exotic caramel cake (\$13); or opera rock, which consists of coffee Charleston chew, a chocolate ice cream bar combined with lemon-flavored hot chocolate and a coffee-flavored

See **FOOD** next page



JERRY GEISEL

Todd English's bluezoo restaurant deploys an under-the-sea motif.

CONTINUED FROM PREVIOUS PAGE

city's oldest neighborhoods, has undergone gentrification but still retains many of its 1920s bungalows and narrow, brick-lined streets, said Tana Porter, a history center researcher. "The fabric of the neighborhood has changed," Ms. Porter said. The population is largely younger singles, and shops and restaurants have located there to serve them, such as Urban Think Bookstore, 625 E. Central Blvd., and Hue Restaurant, 629 E. Central Blvd. (see story).

Another old neighborhood that has become trendy is College Park, a large area northwest of downtown, with Edgewater Drive (Florida Route 424) running north-south through the center. "College Park was more of a planned community" than Thornton Park, Ms. Porter said. It had "a small-town" feel and wider streets than Thornton Park. Now, people are buying two adjacent small bungalows and building one, larger home in their place, Ms. Porter said, and the area is becoming more urban. Edgewater Drive is the place to find shops and restaurants.

Winter Park, considered an old part of Orlando but its own town, takes its name from the fact that it was the place that wealthy northerners purchased winter homes. It is still an area of beautifully landscaped, large homes. The Rollins College campus is a lovely asset to the town, as is the Morse Museum of American Art, 445 N. Park Ave., with a vast collection of work by Louis Comfort Tiffany (www.morse-museum.org). Park Avenue, the town's main street, is known for upscale shops and restaurants. Winter Park is north of downtown and east of International Drive (Interstate 4).

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Food: Diners doing business or meeting friends have many choices

CONTINUED FROM PREVIOUS PAGE

foam (\$14). For reservations, call the Disney dining line at 407-934-1111 (www.swandolphin.com/restaurants/bluezoo/index.html).

Seasons 52 can be found on restaurant row

Now, let's say your aim is a strictly business lunch or dinner with a client or vendor. Head to **Seasons 52**, located at 7700 Sand Lake Road in Dr. Phillips, Fla. This stretch of Sand Lake Road, near downtown Orlando, is known as restaurant row and is set in an upscale, outdoor shopping center. Seasons 52's contemporary décor features wood and stone in a very open design. This restaurant's menu centers on fresh, local, seasonal ingredients and natural cooking techniques, such as grilling over an open fire. According to the restaurant's Web site, every meal is less than 475 calories and is nutritionally balanced.

The desserts are referred to as "mini-indulgences," served in portions of about three bites. Edamame



OCCC

Seasons 52 focuses on local, seasonal ingredients and natural cooking techniques.

lovers will enjoy the whole, steamed edamame appetizer served with Japanese green tea salt. The starter salad selections include toasted-almond tabbouleh with fresh mint, lemon, cucumbers, tomatoes and sun-dried cranberries. The starters range from \$4.75 to \$11.50. The caramelized sea scallops

served with roasted asparagus and sun-dried tomato pearl pasta, and the tiger shrimp penne paste with seasonal vegetables sautéed in a lemon-basil sauce, are tasty, satisfying dinner selections. Entrees range from \$11.50 to \$26.95. For reservations, call 407-354-5212 (www.Seasons52.com).

Café D'Antonio features regional Italian cuisine

If you want a choice that is most likely to please everyone in a group of colleagues, clients or friends, try **Café D'Antonio Ristorante** in Celebration, the charming Florida town developed by the Walt Disney Co. (see story, page 18). Owner Greg Gentile opened this restaurant at the request of Celebration Co., the Disney unit that developed the town. Mr. Gentile owns several other area eateries, including Antonio's Sand Lake. Café D'Antonio, named for the owner's father who Mr. Gentile said taught him about the restaurant business, is a charming, white-tablecloth establishment featuring specialties from all regions of

Italy. Pasta dishes range from the simple—penne with tomato sauce—to the complex—wide ribbon pasta tossed with salmon, peas, brandy and mascarpone cheese. The pasta entrees run from \$10.95 to \$17.95.

The menu features a variety of veal, poultry, meat and seafood dishes as well, priced from the moderate (wood fire-roasted half-chicken basted with Antonio's rosemary, garlic, salt and olive oil sauce) to the bigger ticket of \$34.95 (whole New Zealand rack of lamb). For reservations, call 407-566-2233 (www.antoniosonline.com).

Hue Restaurant a tasty place for Sunday brunch

For those lucky enough to have a leisurely Sunday at one end of the trip, brunch at **Hue Restaurant** is a mouthwatering reward for the hard work and hectic pace of the week.

Hue is located in the chic Thornton Park neighborhood of downtown Orlando, at 629 E. Central Blvd. The quietly hip interior design reflects the restaurant's name and what the owners call an "urban bistro," with a wall painted in solid brown here, a wall painted in solid gray there, an oversized brown banquette, brown and gray chairs, and big art on the walls. It is a place where one can go alone for lunch or brunch and bring a newspaper, or with companions to have lunch or dinner and good conversation.



JERRY GEISEL

Celebrations' Café D'Antonio Ristorante provides friendly and attentive service and tasty food.

The brunch menu on a recent Sunday featured cinna toast, a battered cinnamon roll with maple syrup, fresh berries and crème Anglaise; buttermilk pancakes with chocolate chips, maple syrup, fresh berries and whipped cream; two different scrambles, one with scrambled eggs, bok choy, onions, asiago cheese, mushrooms and peppers and the other with smoked ham, spinach and cheddar. The lunch and dinner menus, which are printed daily to include chef specials and seasonal adaptations, include meat, fish, seafood, poultry and vegetarian selections. The service is attentive and friendly.

For reservations, call 407-849-1800 (www.huerestaurant.com).

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Orlando battles recession

By ROSEANNE WHITE GEISEL

ORLANDO, Fla.—The city that most outsiders identify with Walt Disney World magic is striving to be central Florida's economic powerhouse by expanding its medical and technology industries.

At the same time, Mayor Buddy Dyer recently rolled out a Strengthen Orlando program intended to help residents and local business survive the downturn. "We must do everything we can to ensure that our city comes out of this recession strong and remains on course to be the next great American city," Mr. Dyer said in his February state of the city address.

One aspect of strengthening the city is to boost tourism. As many people in other areas of the nation are curtailing their travel plans, the city government and the Orlando/Orange County Convention & Visitors Bureau Inc. are jointly encouraging Orlando residents to vacation in their own city this year. The Visitors Bureau also launched a new marketing plan to boost tourism called "Orlando Makes Me Smile."

Out-of-towners who explore downtown will see signs of an

increasingly sophisticated city. The restaurant scene is becoming more interesting and upscale in terms of cuisine and ambience (see story, page 25). Cultural offerings are gaining more support and neighborhoods are being revitalized.

While several downtown restaurants closed last year as business slowed, the pace appears to be picking up this year, according to those in the restaurant industry. Reservations in March were easily obtained on a few days notice.

Similarly, Disney World crowds were very manageable in early March and most waits were short, except for the new Toy Story attraction at Hollywood Studios.

Walt Disney Co.'s latest financial results, for the first quarter of the 2009 fiscal year, indicated revenues were down at Walt Disney World and at Disneyland in Anaheim, Calif.

Tourism and hospitality are far less recession-proof than health care and technology, two industries the city is trying to expand. Ground was broken recently for Nemours Children's Hospital, a step that will likely have Mr. Dyer saying "Orlando makes me smile."

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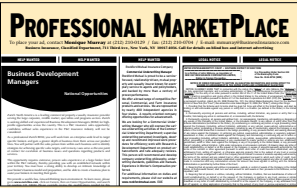
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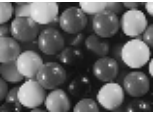
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UP CLOSE



Comings & Goings

PAUL SAICH

NEW JOB TITLE: San Jose, Calif.-based chief executive officer of Thoits Insurance Service Inc. of San Jose

PREVIOUS POSITION: Executive vp and sales team leader

GOALS FOR NEW POSITION: Don Way, our previous CEO and now our chairman of the board, purchased the company about 40 years ago. He used a vehicle called an ESOP (employee stock ownership plan) to do that, and over the years we became 100% employee-owned...The goal for me going forward is...to take it to the next level now. We have established our operational side, our infrastructure to take it from our (current) \$100 (million) to \$125 million in premium volume...We want to set \$300 million in the next five years without drastically changing our culture at Thoits.

CHALLENGES FACING THE INDUSTRY: Our biggest challenge for the brokerage side is we have come off a very hard market four or five years ago—capacity was low—and gone to a very soft market today. This is intensified by the recession. What's affecting most insurance companies and

brokerages today from the revenue side is the exposure base is way down...which brings our revenue down...The biggest challenge is you have an expense side of our operation that you have to consistently monitor and make sure you have the platform there to service your clients.

WHAT I WOULD CHANGE ABOUT THE INDUSTRY: I am very nervous about the...consolidation of the brokerage industry...If I could change anything I would stop the consolidation to allow small agencies to thrive.

FIRST EXPERIENCE IN THE INDUSTRY JOB MARKET: I graduated from (California Polytechnic State University) at San Luis Obispo with a finance degree and I was really involved in real estate at the time...My goal back then was to work for a large real estate investment trust. So I went out and did practice interviews (with companies representing other industries) on campus. The very first interview I went to was with John Hancock. I had no reason to go to the John Hancock interview other than the fact that I just wanted to get some practice at a corporate interview. They offered me a job within a few days and I took it.

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:

Allison Martinat
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POSTING THIS WEEK

BROKERS:

- Marsh Inc.
- Thoits Insurance Service Inc.
- Willis Group Holdings Ltd.

INSURERS:

- ACE European Group Ltd.
- XL Insurance

OTHER PROVIDERS:

- Buck Consultants L.L.C.
- ACI Specialty Benefits Corp.
- Progressive Medical Inc.
- Segal Co.

REINSURANCE:

- BMS Bermuda Ltd.
- Endurance Specialty Holdings Ltd.

RAA: Reinsurer results hit by cat losses, investments

CONTINUED FROM PAGE 3

on the industry than Hurricane Ike did. Between those two events, a lot of surplus leaked away, and results for the second half of the year were hurt pretty materially," said Mr. Gallant.

Pano Karambelas, New York-based vp and senior credit officer at Moody's Investors Service, said while "the sector has probably suffered some declines in capital," the "overall underwriting performance is good. It's more on the investment side where the stress has occurred," he said. Some companies with financial product subsidiaries, such as Swiss Reinsurance Co., have "taken a large hit."

Given Hurricane Ike, which ranked as the third costliest U.S. hurricane, and the capital market turmoil, "the industry has demonstrated resilience," with its 101.8% combined ratio, said Devin Inskeep, senior financial analyst with Oldwick, N.J.-based A.M. Best Co. Inc.

Mr. Gallant said, "While capital is down, I don't think the need for new capital is dire, and the industry's not overleveraged and the investment portfolios are relatively conservative so, actually, the industry's in a pretty good position right now."

And, generally, the outlook is positive for reinsurers, observers say.

"Reinsurers look like they have a little better outlook than the primary insurers at this point," said Mr. Auden. Property lines in particular are showing improved pricing "and that should help the reinsurers overall this year," he said.

Furthermore, "We don't think casualty markets have gotten as underpriced in reinsurance" as they have in the primary casualty market, "and the pricing trends are better too," Mr. Auden said.

"On the catastrophe side, we're seeing rising rates, and the firms

with relatively healthy positions and good reputations in the marketplace are going to benefit," said Bill Bergman, an analyst with Morningstar in Chicago.

Among primary insurers, "The hit to capital has not been restricted to AIG, and the need for the risk-sharing mechanism that reinsurers can provide is ongoing," he said. People will be willing to pay for that capacity "to the extent they can trust it" and U.S. and Bermuda reinsurers are "relatively well off on that

'I don't know if anybody really knows how well the industry could recapitalize if necessary. There are simply just not that many deep pockets anymore out there.'

Cliff Gallant
Keefe, Bruyette & Woods Inc.

score. I'd suspect they'll have a strong year ahead," Mr. Bergman said.

Other observers foresee increased demand for reinsurance as well. With "not very many attractive options to raise capital, reinsurance becomes a better alternative to manage large aggregate risks and capital, so I think that pressure could spur some greater demand for reinsurance down the road," said Mr. Auden.

However, Mr. Gallant said while rates are continuing to improve, the underlying economic decline means there will be less insurance written "and, consequently, less

Products & Services

Plante & Moran launches ERM practice

CHICAGO—Plante & Moran P.L.L.C. has launched an enterprise risk management practice to help middle-market organizations extend their risk management programs and improve operational performance, the company said.

Peter Rossow, previously with Ernst & Young, has been appointed as Plante & Moran's ERM practice leader and will be based in Chicago.

The consulting team will work with clients to assess the complete range of risks facing an organization and help companies establish oversight, control and discipline at the

appropriate levels, the company said. Consultants will continue to work with organizations in an ERM monitoring program to identify emerging risks, the company said.

The accounting and business advisory firm noted that companies with strong ERM programs can benefit financially from implementation, as credit ratings agencies place greater importance on ERM in their rating analyses.

For more information, contact Mr. Rossow at 312-602-3679, peter.rossow@plantemoran.com.

DFA Capital Management, Milliman form partnership

PURCHASE, N.Y.—DFA Capital Management Inc. has partnered with Milliman Inc. to offer economic capital modeling technology and services for the property/casualty industry.

The partnership combines enterprise risk management software by Purchase, N.Y.-based DFA with the insurance and actuarial consulting services of Seattle-based Milliman,

according to a joint statement.

DFA's technology platform includes its Advise advanced stochastic modeling software that produces financial statements according to regulatory and economic standards; and Gems economic scenario, a tool that simulates a company's economic operating environment, according to DFA.

Users can implement the platform without IT resources, and enter data and run models immediately. The companies said the combined offering allows users to perform in-depth financial analyses on multiple business units, and evaluate thousands of "what if" potential business decisions.

For more information, contact Lisa Cash, executive vp of sales and marketing, at 914-701-7200 or solutions@dfa.com.

Marsh offers business continuity checklist

LONDON—Marsh Ltd. is offering a business continuity checklist to

reinsurers to raise new capital is not at this point what it was after the active hurricane season" of 2005.

Mr. Inskeep said, "Given the current status of the capital markets, we don't expect capital to flow in, in a meaningful way, as it has in the past, post-2001 and -2005." There are "still probably opportunities," he said. But, "you've got issues" with hedge funds, private equity is on the sidelines and the public markets are "extremely costly. Should something really impact the supply for reinsurance, we can't forecast what investors would do," said Mr. Inskeep.

It "will be interesting to see what

small- and medium-size U.K. businesses to help them assess their business continuity processes.

The free checklist is available online and helps companies build business continuity management into their organizational structures, the company said.

"Two-thirds of Britain's small- and medium-sized firms do not have business continuity management plans in place, yet this sector represents more than half of the U.K.'s turnover," Martin Caddick, leader of Marsh's business continuity management team, said in a statement.

To obtain a copy of the checklist, visit <http://www.marsh.co.uk/events/09/businesscontinuity/index.php>.

Benefits software updated for COBRA

SANTA BARBARA, Calif.—Benefits Software Inc. has enhanced its online benefits enrollment software to help organizations manage COBRA claims.

The Fringe Facts Online platform

would happen if we suffered a more catastrophic event right now," said Mr. Gallant. "I don't know if anybody really knows how well the industry could recapitalize if necessary. There are simply just not that many deep pockets anymore out there."

Taoufik Gharib, director at Standard & Poor's Ratings Services in New York, said the difficulty of raising additional capital is "why companies are being very disciplined, or less aggressive, in terms of share buybacks." Most have either stopped buying back their shares, or are preserving their capital positions, he said.

can be integrated into an organization's existing network to track employee status and determine COBRA eligibility, the company said. The software tool can automatically generate and send eligibility reports to outside COBRA administrators. Reports also can be sent to other insurers or third-party providers, the company said.

According to the benefits software company, the tool can help companies streamline administrative duties and comply with new federal regulations affecting enrollment deadlines.

For more information, contact call 800-533-1388 or e-mail sales@bsiweb.com.

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BI's Products & Services column reports on new product offerings. Please send Product & Services news to Colleen McCarthy, 711 Third Ave., New York, N.Y. 10017 or e-mail cmccarthy@businessinsurance.com.

TOP U.S. REINSURERS' 2008 YEAR-END RESULTS					
Ranked by net reinsurance premiums written. All amounts in thousands of dollars.					
REINSURER	NET WRITTEN REINSURANCE PREMIUMS		NET INCOME (LOSS)	COMBINED RATIO	
	2008	2007	2008	2008	2007
National Indemnity Co. ¹	\$4,265,041	\$3,607,758	\$1,043,847	89.6%	63.2%
Transatlantic/Putnam Reinsurance Co.	3,672,494	3,611,239	118,168	99.5	95.3
Munich Reinsurance America Corp. ²	2,366,863	2,350,641	28,289	114.0	98.6
Swiss Reinsurance America Corp. ³	2,129,485	1,496,074	360,833	111.3	145.4
Odyssey America Re/Odyssey Reinsurance ⁴	1,885,172	1,949,323	602,133	101.5	96.7
General Re Group ⁵	1,405,077	1,583,205	426,057	106.6	88.6
Berkley Insurance Co.	1,232,305	1,525,305	264,618	96.3	90.5
XL Reinsurance America ⁶	1,166,387	511,170	130,095	83.5	87.5
Everest Reinsurance Co.	838,765	1,978,945	74,398	115.7	95.9
QBE Reinsurance Group ⁷	830,286	595,541	(19,697)	109.2	104.5
Totals for Top 10	\$19,791,875	\$19,209,201	\$3,028,741	101.0%	92.9%
Totals for all companies	\$23,920,333	\$23,711,994 ⁸	\$2,886,930	101.8%	94.7%
(1) Underwriting results exclude assumptions from affiliated General Reinsurance Corp. (2) Includes the combined results of Munich Reinsurance America Inc., American Alternative Insurance Corp. and the Princeton Excess and Surplus Lines Co. (3) Includes the combined results of Swiss Reinsurance America Corp. and Westport Insurance Corp. (formerly known as Employers Reinsurance Corp.), which are impacted by significant affiliated transactions with other members of the Swiss Re Group. (4) Includes combined results of Odyssey America Reinsurance Corp., Clearwater Insurance Co., Hudson Insurance Co., Hudson Specialty Insurance Co. and Clearwater Select Insurance Co. (5) All data presented for the North American Property/Casualty segment of the General Re Group. Underwriting results exclude certain intercompany transactions and other adjustments. Underwriting results also exclude cessions to certain affiliated members of the Berkshire Hathaway Group. (6) XL Reinsurance America's net underwriting results consist of its net pooled share of the XL America Pool Group. All poolmembers are wholly owned subsidiaries of XL Reinsurance America. (7) The QBE Re Group consists of QBE Reinsurance Corp., QBE Insurance Corp. and QBE Specialty Co. (8) Total premiums written shown for December 2007 are those reported in the December 2007 Reinsurance Underwriting Report.					
Source: Reinsurance Assn. of America. For further information, contact the RAA at www.reinsurance.org.					

Pirates: Cover shifts to war risk policies

CONTINUED FROM PAGE 4

incidents in the Gulf of Aden off the coast of Somalia, according to the center. Pirates have attacked larger ships, farther out at sea and were more heavily armed than previous years, it said. The number of incidents in 2008 represents an 11% increase over 2007, according to the center's figures.

Before 1983, piracy generally was covered under war risk policies and excluded from hull policies, said James Gosling, a partner in the London-based law firm Holman Fenwick Willan. The lawyer and expert on piracy spoke March 24 at the Connecticut Maritime Assn.'s Shipping 2009 conference in Stamford, Conn.

After 1983, piracy generally moved back into hull policies, he said. In 2005, the Joint Hull Committee of the Lloyd's Market Assn. introduced optional clauses that excluded piracy from hull policies and were intended to transfer the peril back to war risk, Mr. Gosling said. But most underwriters did not adopt the optional clause, largely leaving piracy to remain under hull policies, he said.

Covering piracy in hull policies persisted until last year, despite pirate attacks escalating in the Gulf of Aden. Messrs. Stonehouse and Gosling said that may have been because underwriters were waiting for annual renewals to shift the peril to war risk coverage.

War risk policies typically are paid per transit, and underwriters often charge additional premium for trips through high-risk areas. The Gulf of Aden has been on the LMA Joint War Committee's high-risk list since May 2008.

Mr. Stonehouse said the Japanese market covers piracy under war risk. Svein Ringbakken, insurance director for the Norwegian Shipowners' Mutual War Risks Insurance Assn.,

also said the peril is covered under war risk policies in the Norwegian market.

Underwriters and other observers say the transition to war risk coverage of piracy risks could be helpful for insurers and policyholders alike because it would clarify ambiguity about how piracy is covered. Currently, shippers that do not have separate kidnap and ransom insurance often have piracy ransom covered by "general averages," a voluntary agreement by the owner, charterers, insurers and other interests

'Even though the incident (count) is lower in the last few months than it has been previously, that's almost certainly weather-related.'

Simon Sole, Exclusive Analysis Ltd.

to pay a proportionate share of a vessel's expenses.

A declaration of general averages is made in cases of extraordinary sacrifice made to save a ship, cargo or crew—such as jettisoning cargo during an emergency. But Mr. Gosling said there is no settled case law in England establishing that piracy is a general-averages act, although it's generally accepted as such.

"I think it's generally accepted by adjusters that ransom is a (general averages) expense," he said at the conference.

But Mr. Gosling also said in piracy cases he has handled, his firm asks for a voluntary contribution from the cargo insurer to avoid the

need to declare general averages, and that many cargo underwriters have done so.

So far in 2009, pirates have waged 28 attacks and five successful hijackings. As of last week, seven vessels and about 114 crew members were being held captive by pirates. Mr. Gosling said international authorities were holding about 49 pirates.

In response to increased piracy, several nations—including the United States, the United Kingdom, other members of the European Union and other nations—have increased their naval presence in the Gulf of Aden. There also has been a marked uptick in piracy off the coast of Nigeria and experts say other areas, mostly in the Indian Ocean, may become hotbeds of piracy in the near future. But the Gulf of Aden is particularly important because mainstream shippers must traverse the Gulf of Aden to get to the Suez Canal. The alternative route—steaming around the southern tip of Africa—is longer and costlier.

Simon Sole, chief executive officer of London-based Exclusive Analysis Ltd., an intelligence firm that forecasts political risks, said in Stamford that the presence of about 15 war ships devoted at least in part to combating pirates has helped the situation, but he credited the bulk of the reduction in piracy to inclement weather. He said he expects high levels of piracy to continue in the Gulf of Aden and elsewhere.

"The Indian Ocean is an enormous place, and 15 vessels is just an utterly inadequate number to fully secure the shipping lane," he said. "Even though the incident (count) is lower in the last few months than it has been previously, that's almost certainly weather-related."

"There's certainly year-on-year many more incidents" in March 2009 than there were in March 2008, he said.

Earthquakes: Public-private effort seeks global model

CONTINUED FROM PAGE 4

database building began last October. GEM combines seismic-hazard mapping with a seismic risk model. Private sponsorship of the project was essential in getting the project started, Mr. Stein said. That included donations by Munich Reinsurance Group, €5 million (\$7 million); Zurich Financial Services, €3 million (\$4 million); and Willis Group Holdings Ltd. and catastrophe modeler AIR Worldwide Corp., €1 million (\$1.4 million) each.

GEM is intended to calculate exposure to earthquakes and what types of damage could be caused, providing options on how to protect against that exposure, including stronger building codes and better building construction, said Paolo Bazzurro, director of engineering analysis with Boston-based AIR. Further, it is intended to calculate the potential number of deaths and those left homeless as well as estimate losses resulting from an earthquake. Those involved in the project think given the amount of data GEM will house, it will be an accurate model, but Mr. Stein notes, "it takes a lot of data to get it right."

The data will be stored in an online database whose infrastructure will be complete by the end of this year. Mr. Stein said it is possible GEM will launch a beta version as soon as next year to gain user feedback.

The GEM project, Mr. Bazzurro said, will build on where the Global Seismic Hazard Assessment Program, a previous earthquake mapping effort, left off in 1999 after attempts to make the program more functional failed.

GEM will utilize data collected during the GSHAP project and new seismic data being collected by scientists around the globe to set up a "systematic approach that is more homogenous to measuring" earthquake risk and hazard, Mr. Bazzurro said. He added that the model should help estimate the amount of exposure any building, city or village worldwide has to an earthquake.

The project also will learn more about earthquake-generating sources and will estimate the types of losses that could occur based on past earthquake activity, Mr. Bazzurro said.

Messrs. Bazzurro and Stein stressed that GEM will not be an earthquake forecaster since there still is no way to tell when one will strike.

"If we could predict earthquakes, we would build flimsy buildings with the knowledge that you can get out of them if one were forecast to occur," Mr. Stein said. "Instead, people will build to resist earthquakes, and that's better economically because the whole city won't come apart when one occurs."

Helping local governments, businesses and homeowners understand their earthquake risk is a key goal of GEM, said Carl Hedde, head of risk accumulation for Munich Re. The reinsurer has been involved in geological research since the 1970s and, when the sponsorship oppor-

tunity arose, Mr. Hedde said GEM seemed like a natural fit for Munich Re.

"GEM is not to replace commercially available earthquake models out there, and those can still be used," said Mr. Hedde, who is based in Munich Re's Princeton, N.J., office. GEM "is going to be a global model with a consistent (seismic risk) measurement for a variety of regions," he said.

While GEM is not intended to help commercial insurers tap emerging markets, the project's scope does lend that ability. With the seismic data being collected and entered into GEM's database, businesses, insurers and brokers all will be able to access the information to gauge their risk—especially for multinational companies.

Michael Kerner, Zurich, Switzerland-based global chief underwriting officer and head of group strategy for Zurich Financial Services, and Rowan Douglas, managing director of analytics and specialty division and chairman of London-based Willis Re International, both see GEM as tool that can be used to work with clients in emerging market areas. Mr. Kerner said GEM will allow businesses "to quantify their exposure and understand the magnitude of it."

Already available data "is a patchwork of incompatible studies and reports. It's very fragmented," said Mr. Douglas. "This makes it very difficult to look at the risk globally or even in neighboring countries...The idea is to develop tools and utilities that will be useful within these sectors. It's not just about creating maps for the wall or interesting reports."

Costs: Audit rules pressure hospitals

CONTINUED FROM PAGE 4

in the body after surgery, an air embolism and blood incompatibility.

"There are a lot of improper payments out there in a complex environment," said Bret S. Bissey, director of regulatory compliance for Philadelphia-based IMA Consulting. "Anyone that is a medical provider knows that this is a complex problem because we have the most complex system when it comes to billing health care," he said.

Mr. Bissey likened recovery audit contractors to bounty hunters, saying they are looking for "improper payments" by the government to hospitals, as they are paid on a contingent basis. He added that recovery audit contractors expect to find errors, but also said hospitals can mitigate those errors by updating processes to keep accurate documentation.

"Accurate documentation is criti-

cal to the success of our hospitals," said Kenneth Felton, Hartford, Conn.-based senior vp and clinical risk consultant for Willis HRH. "Identifying risks right at the time they occur can enlighten physicians about the criticalness of documentation."

Mr. Felton stressed the importance of having "key stakeholders" in the hospital's management—including its risk manager—help gauge and quantify the hospital's risk and how to mitigate it. He added using enterprise risk management to comply with the hospital-acquired conditions rules and involving senior leadership in safety issues helps drive positive results.

"Inadequate risk management practices is part of the reason health care is part of the current crisis we're in" nationwide, Mr. Felton said, adding that complying with hospital-acquired condition payment rules is "not impossible, but it is going to be difficult and challenging."

425 attend PLUS' Chicago meeting

CHICAGO—About 425 people attended the Professional Liability Underwriting Society's Medical PL Symposium held at the Sheraton Chicago Hotel & Towers in Chicago.

Sessions at the March 24-25 event focused on managed care liability and quality indicators and how they affect managing and assessing risk, as well as the risks of contaminated medical products.

Next year's symposium also will be held at the Sheraton Chicago Hotel & Towers, on March 9-10.

For more information, visit www.plusweb.org.

—By Jeff Casale

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Maritime: Rules aim to improve safety

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convention, which bases insurance limits partly on ship size, liability limits for loss of life or personal injury are required to be at least \$3.2 million and ships must be insured for at least \$1.6 million against property claims.

"As far as shipowners covered by the group are concerned, this will have no impact," Mr. Bardot said of the new regulation, which is expected to be in place before 2012. "They will have the appropriate certificates of insurance."

Potential shipowner liability will increase, though, because the new regulations will harmonize damage amounts awarded to injured passengers. The amount of compensation that can be paid to passengers or their families in cases of death or injury where negligence is determined can be up to €460,000 (\$623,355). The payment for lost or damaged luggage will be a maximum of €2,587 (\$3,506) under the regulation, which must be in force by 2012 for ships in international carriage and later dates for vessels that travel only within E.U. waters.

"That is one regulation we were very skeptical about," said Mika Nykanen, senior vp of the Finnish Shipowners' Assn. in Helsinki, Finland. "We feel this is a little bit unfair after decades of handling security and passenger issues very well. We will get extra insurance costs on this point. The legislators did not think this through."

The compensation amounts are significantly higher than E.U. states

have required before the harmonization regulation, said Mr. Bardot. He added, though, that the increases are not as severe as they might appear because P&I clubs historically have compensated passengers with amounts higher than those mandated by member states where accidents have occurred.

Other regulations are expected to make shipping safer, sources said.

More frequent inspections will be carried out on ships entering member states' ports under a regulation that is scheduled to be in force by

'Those sort of processes are likely to lead to improvements in safety.'

Andrew Bardot,
International Group of P&I Clubs

2011. Vessels will be inspected as frequently as every six months. The current requirement that member states inspect 25% of the ships calling at their ports has been replaced with the objective of having all vessels that enter E.U. waters face inspection. Those vessels considered high-risk will be inspected every six months, while ships of higher quality will be subject to less frequent checks.

Ships deemed unsafe after a series of inspections and penalties will be blacklisted from operating within the E.U.

Investigations into causes of shipping accidents will be more frequent under a rule set for enforcement by the end of 2011. Assessments will be made of all potentially serious accidents and a full investigation can follow, which is a departure from the current practice of member states to investigate only accidents considered serious enough to warrant an investigation.

Those moves should lead to fewer accidents, sources said.

"Definitely," said Mr. Nykanen. "If we have a regular inspection policy and investigation of accidents, these are things that will improve safety."

Mr. Bardot agreed. "Those sort of processes are likely to lead to improvements in safety," he said.

Shipowners will incur additional expenses to adhere to the new regulations, said Mr. Nykanen, and the Finnish association's tendency is not to support regulatory moves that increase costs. In this case, however, "we support the ideas that will create better safety at sea and help prevent serious accidents."

Other shipowner groups are reserving their opinions on the effectiveness of the new regulations and whether they will cause insurance rates to rise.

"It's a wait-and-see scenario," said a spokesman for the Chamber of Shipping, the London-based trade association for Britain's shipping industry. "There are a few significant elements of change in the package, but we will have to wait to see the effect in real life."

Marine losses fall in 2008

The number of total marine losses fell in 2008, according to provisional figures from the International Union of Marine Insurance.

In a statement, Cedric Charpentier, chairman of IUMI's facts and figures committee, said that 74 total losses have been reported so far, and the final figure for total losses in 2008 likely would be about 95, taking late reporting into account.

For 2008, the provisional figure for serious or partial losses is 748, Zurich, Switzerland-based IUMI said.

IUMI reported that in 2007, there were 106 total marine losses of vessels of 500 gross tons or more, compared with 92 the previous year. The gross tonnage lost, however, dropped to 660,412 gross tons in 2007 compared with 720,669 gross tons the previous year.

The number of serious or partial losses recorded in 2007 was 975, compared with 725 in 2006, according to the IUMI statistics, which were released earlier this month at the association's spring meet-

ing in Miami.

The worldwide economic downturn, coupled with a tightening of trade credit insurance capacity, has reduced international trade and likely will lead to a decline in premium volume for cargo insurers, said Mr. Charpentier, who also is chief underwriting officer for cargo at Paris-based AXA Corporate Solutions, a unit of AXA S.A.

"Premium income will fall dramatically as the economic crisis reduces fleet values and cargo volumes, thus negating the encouraging decreases we are seeing on the claims side," he said in the

statement.

"The net result will have a significant negative impact on the bottom line at a time when there is no investment income to bolster results," he added.

Total offshore energy claims for 2008 are likely to be just below \$1 billion, according to IUMI statistics. The number of claims of more than \$1 million stemming from Hurricane Ike could top 40, the association said.

—By Sarah Veysey

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Marine total losses reported so far for 2008, according to the International Union of Marine Insurance.

Cat bonds: New structures revive market for securitized coverage

CONTINUED FROM PAGE 1

2009, said Dan Ozizmir, managing director and head-insurance risk at Swiss Re Capital Markets in New York. The estimate exceeds the \$2.7 billion issuance volume in 2008, but would be less than half of the nearly \$7 billion record volume of 2007.

"There is a significant difference in the way the market is being viewed now," Mr. Ozizmir said during a presentation at the recent SIF-MA insurance and risk-linked securities conference in New York.

One of this year's deals—Liberty Mutual Group Inc.'s Mystic Re II, which closed March 13—even was increased to \$225 million from \$200 million, due to investor demand. The transaction provides Liberty Mutual with three-year cover for U.S. hurricanes and earthquakes.

Reducing risk

Observers say the new cat bond deals have been carefully structured with investors and sponsors in mind, and the overall improvements "go a long way to minimizing credit risk exposure," said Gary Martucci, director, financial institutions ratings at Standard & Poor's Corp. in New York.

Much of the focus for the new transactions has been on improving so-called collateral management, experts say.

While typical cat bond transactions use a total return swap counterparty—usually an investment bank—to guarantee the collateral pool backing the bonds, the new deals impose strict rules on how the collateral is invested, experts say.

The permitted investment criteria have shifted toward more conservative U.S. government-backed assets, said Erik Manning, director-structured products and alternative risk group at Deutsche Bank A.G. in London. Previously, permitted investments included highly rated corporate debt and structured finance obligations, often with long-dated maturities, he said. Deutsche Bank and BNP Paribas structured the recent \$200 million SCOR S.E. bond, which closed Feb. 19 and was the first post-Lehman transaction.

The recent deals also feature daily mark-to-market accounting on the collateral accounts, and have some form of collateral provision, also known as cash markups to top off the assets and ensure adequate collateral exists, experts say. Previously, cash markups were conducted quarterly.

The new structures also feature improved transparency and easier access to information on the underlying assets, "so the investor knows exactly what he is buying," Mr. Manning said.

The new bonds address the

CATASTROPHE BONDS 2009

Deals struck so far this year to cover potential natural catastrophes

Month	Sponsor	Special-purpose vehicle	Capacity	Coverage
Pending	Allianz S.E.	Blue Fin Ltd.	\$150 million	Three years U.S. hurricane, earthquake
March	Liberty Mutual Group Inc.	Mystic Re II	\$225 million	Three years U.S. hurricane, earthquake
February	Chubb Corp.	East Lane Re III	\$150 million	Three years Florida hurricane
February	SCOR S.E.	Atlas V	\$200 million	Three years U.S., Puerto Rico hurricane, earthquake

Source: S&P

potential of swap counterparty default through provisions that allow for replacing the swap counterparty or unwinding the structure in the event of default, Mr. Manning said.

Unlike most transactions, Allianz's Blue Fin II bond does not include a total return swap counterparty. Instead, the proceeds from the sale of the notes will be invested in floating-rate notes issued by German development bank Kreditanstalt für Wiederaufbau, which is guaranteed by the Federal Republic of Germany, according to S&P.

The bond, which S&P last week assigned a preliminary rating of BB-, provides three-year protection against U.S. hurricane and earthquake losses. The deal is expected to close in April, according to market sources, and observers say it's too soon to determine how effective this approach will be.

Costs rise

The market resurgence, however, has come at a price for cedents. They are paying more for the protection, largely because investors are demanding higher returns,

experts say.

Prior to the Lehman fallout, deals were priced at LIBOR minus 5-10 basis points, while the most recent deals have seen swap spreads at LIBOR minus 50-60 basis points, said S&P's Mr. Martucci. On a \$200 million dollar bond, the cedent would be paying roughly \$1 million more a year in their premium payment, he noted.

"Pricing is a key issue right now," said Asha Attok-Okin, managing senior financial analyst, insurance linked securities group, with A.M. Best Co. Inc. in Oldwick, N.J. Mr. Okine said that while issuer interest is strong, several potential sponsors have put deals on hold due to higher prices.

But the expected hardening in the traditional reinsurance market should help to close the gap between cat bond pricing and reinsurance prices, experts say. In addition, the increasingly constrained capacity for U.S. hurricane and earthquake perils is likely to drive interest, some say.

"I think sponsor demand will continue to be strong, particularly for peak-zone perils" said Robert Porter, chief executive officer of Platinum Underwriters Bermuda Ltd. Last August, Platinum entered the cat bond market with its \$200 million Topiary Capital Ltd. But Mr. Porter noted issuers are "less likely to pay spreads on other perils."

Regulation: White House considers revamp of regulatory system

CONTINUED FROM PAGE 1

systemic risks to our economy but that are not currently subject to the resolution authority of the (Federal Deposit Insurance Corp.),” Mr. Geithner testified. “Let me be clear: The days when a major insurance company could bet the house on credit default swaps with no one watching and no credible backing to protect the company or taxpayers from losses must end,” he said in a clear reference to American International Group Inc.

However, federal oversight of holding companies with insurance operations “does not mean we should take away” the powers of state insurance regulators, but more consolidated oversight of certain institutions is needed, he said.

Later in the hearing, Rep. Ed Royce, R-Calif., asked Mr. Geithner whether having a federal insurance regulator would make sense. But before Mr. Geithner could answer, Mr. Royce’s time for questioning ran out.

A few minutes later, Rep. Paul Kanjorski, D-Pa., asked Mr. Geithner if he had a position on possible federal treatment of insurers.

“I think there is a good case for introducing an optional charter for insurance companies,” Mr. Geithner responded.

Rep. Kanjorski then asked whether he would oppose establishing an Office of Insurance Information within the Treasury Department. Rep. Kanjorski introduced legislation in the last Congress to establish such an office, which would advise federal officials on insurance matters, including international matters.

“I would not be opposed,” Mr. Geithner said.

OFC supporters welcomed the Treasury secretary’s words.

“RIMS has long been a proponent of the concept of an optional federal charter,” said Deborah M. Luthi, director-external affairs for the New York-based Risk & Insurance Management Society Inc. “We are pleased to have two strong, recent endorsements for an optional federal charter: from Federal Reserve Chairman Ben Bernanke in early March and then from Secretary Geithner...RIMS is hopeful the secretary will support an OFC not only for life insurance but for property/casualty insurance as well.

“We were also encouraged when the secretary said he would not oppose the creation of an office of insurance information,” said Ms. Luthi, who also is director-enterprise risk management for Matheson Trucking Inc. in Sacramento, Calif.

“We were very encouraged by his comments,” said Leigh Ann Pusey, president of the American Insurance Assn. in Washington. “It’s hard to think about how you can do this resolution facility or system of systemic risk oversight without functional federal regulation of insurance.”

“The secretary’s comments are terrific and hopefully galvanizing,” said Joel Wood, senior vp at the Council of Insurance Agents & Brokers in Washington.

“This is also the logical extension of a proper way to deal with the insurance consequences of the systemic risk outline released by Treasury. Everyone accepts the need for a federal role in filling the regulatory gap for financial services holding companies. But in the case of a holding company with insurance (subsidiaries), there are many unanswered questions about how a receivership model would work for state-regulated entities with state-based guaranty funds.”

The OFC concept, however, would help avoid conflicts and duplication, he said.

“Very significant political hurdles remain, but the secretary’s instincts are clearly on the mark,” Mr. Wood said.

But a lobbyist for a group supporting state regulation said interpreting Mr. Geithner’s comments depends on the listener’s position.

“We have companies on both sides, but what they all agree on is that OFC is not a systemic risk issue; it’s a prudential regulatory issue,” said Ben McKay, senior vp with in the Property Casualty Insurers Assn. of America’s Washington office. “I think whenever somebody of his stature says anything even hinting at something being a potentially good idea, it will be interpreted depending on the listener. If you’re for OFC, you’ll interpret it as being he’s for OFC; and if you’re against OFC, you say, ‘If he was for OFC, he would have said he was for OFC.’ ”

An OFC opponent issued a statement expressing concern.

“We are concerned that the secretary and some members of Congress may use the current crisis as an opportunity to establish federal regulatory authority over insurance activities,” said Jimi Grande, vp in the National Assn. of Mutual Insur-

ance Cos. Washington office. “Property/casualty insurance regulation should remain at the state level since efforts to establish an optional federal charter or federal oversight of property/casualty insurance would lead to inefficient, costly and confusing dual regulation. We urge Congress and the administration to tread carefully as they craft solutions to the current turmoil and target only those elements of the financial services industry where there are regulatory gaps.”

There was general agreement, though, on the issue of the proposed super regulator’s effect on property/casualty insurers.

“I don’t know how many more AIGs exist. I represent 1,400 companies and none of them look like or act like AIG did,” said NAMIC’s Mr. Grande. “AIG’s problems were in their holding company, certainly not in the property/casualty side.”

“It remains to be seen how much impact this would have on insurers,” said Howard Mills, a former New York insurance superintendent and now chief adviser in the insurance industry group for Deloitte Services L.P. “AIG is very rare entity and not many insurance companies would have had such extensive tentacles.”

Consultant eyes regulation

With Congress debating the idea of creating a systemic risk regulator, a report by McKinsey & Co. says that may not be the best option for the U.S. economy or the property/casualty industry.

In its report, the New York-based consultant said that while a systemic risk regulator would improve safety and soundness by providing additional oversight of state regulators, it also could lead to confusion, lack of accountability and “costly duplication of effort,” inefficiency for which customers would pay.

The report, “Improving Property and Casualty Insurance Regulation in the U.S.,” says the U.S. property/casualty insurance industry remains relatively strong compared with other financial institution-related businesses. But the report also says regulators struggle to keep up with innovative industry participants and its state-based regulation model is “becoming increasingly structurally disadvantaged vs. national regulation with regard to ensuring solvency of large insurers.”

The report suggests five ways to better regulate the property/casualty industry to make it more nimble and competitive while offering strong consumer protections. This can be done, New York-based McKinsey said, by having a national regulator and streamlining the state regulatory process.

“Our analysis and research indicates that this path (of greater sophistication of regula-

tion) offers some advantages to involvement of the national government in regulation of the property/casualty industry, but it suffers from inefficiencies and the daunting process and lengthy time frame required to implement any meaningful change among 50 different state regulatory bodies,” the report said.

Aside from establishing a systemic risk regulator, McKinsey suggests a comprehensive stability regulator, which would involve a national regulator for solvency issues, pricing and products while state regulators would be limited to maintaining fair treatment of customers.

Another option McKinsey suggests is a national regulator for large and complex insurers, while state regulators would be responsible for insurers “that are small and have relatively simple business models.” McKinsey supports this option, saying 96% of property/casualty insurers write business in multiple states. Further, 40% of the largest property/casualty insurers now offer banking products and 35% offer mutual funds—leading McKinsey to the conclusion that broader regulation is necessary.

“States are not well-suited to oversee insurers’ national and international operations, a responsibility better suited to a national regulator,” the report said.

The full report can be obtained by sending an e-mail to insurance@mckinsey.com.

—By Jeff Casale

New York A.G. sets sights on AIG

By JUDY GREENWALD

NEW YORK—American International Group Inc.’s financial products unit remained in the spotlight last week, with reports that New York Attorney General Andrew Cuomo issued subpoenas concerning its credit default swaps.

Mr. Cuomo also has been an outspoken critic of \$165 million in bonuses paid March 15 to employees of the unit. “My office’s investigation of AIG is continuing and we are proceeding with our security assessment for the employees” he said in a statement last week. “Through that process, my office has been working with AIG and its employees in an attempt to assess the status of the \$165 million.”

Mr. Cuomo said of the \$165 million, 47% of the total, or about \$80 million, went to U.S. residents. He also said 15 of the top 20 recipients had agreed to return their bonuses, which totaled about \$50 million.

In an e-mail, an AIG spokesman said, “We are not commenting on Cuomo’s subpoenas.” A spokesman for Mr. Cuomo could not be reached for comment.

AIG had no comment on a report that an internal memo earlier this month appeared to advise employees of the unit that if enough bonus payments were returned, it was

unlikely the recipients’ names would be released publicly.

Meanwhile, Jake DeSantis, executive vp of AIG Financial Products Corp., submitted his resignation to AIG Chairman and Chief Executive Officer Edward Liddy in a letter that ran March 25 in the New York Times. He also said he planned to donate any after-tax proceeds of his \$742,000 bonus “to those suffering from the global economic downturn.”

Mr. DeSantis said only a handful of the financial unit’s 400 employees were responsible for the unit’s financial problems and the businesses he was associated with were profitable. He also said he had already agreed to work for an annual salary of \$1.

“We have worked 12 long months under these contracts and now deserve to be paid as promised,” Mr. DeSantis wrote. “None of us should be cheated of our payments any more than a plumber should be cheated after he has fixed the pipes but a careless electrician causes a fire that burns down the house.”

Mr. DeSantis also criticized Mr. Liddy. He said until several hours before his appearance at a congressional hearing, at no time did Mr. Liddy ask for the retention contracts to be revised. “It’s now apparent that you either misunderstood the agreements that you had

made...or were not strong enough to withstand the shifting political winds,” Mr. DeSantis wrote.

In an e-mail response, AIG said: “Ed deeply appreciates the frustration expressed in this letter and believes that the recent vilification and harassment of AIG employees is grossly unfair and unwarranted.”

On another front last week, the Connecticut General Assembly’s Banks Committee held a hearing in which it said it learned from testimony by an AIG human resources vp and an attorney representing AIG that payouts also “go to involuntarily terminated employees, or employees who resign with reason despite the fact that they fall outside the Connecticut Wage Act because those payments appear to be similar to severance payments.”

Meanwhile, in a 10-K report filed with the Securities and Exchange Commission last week, AIG’s aircraft leasing unit, International Lease Finance Corp., reported that, “We have been advised that AIG will continue to support our short-term liquidity needs through the earlier of our sale or March 2010.”

“Based on AIG’s continued commitment to support us and management’s plans” which include potentially divesting ILFC, “and after consideration of the risks and uncertainties of such plans, management believes we will have adequate liquidity to finance and operate our business and repay our obligations for at least the next 12 months,” the filing said.



News In Brief

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Obama names top benefits regulator

Phyllis C. Borzi, a former longtime congressional pension and health care staffer, has been nominated as the Labor Department's top benefits regulator. Ms. Borzi, who served 16 years as a pension and a benefits counsel for the House Education and Labor Committee's Labor-Management Relations subcommittee, has been nominated by President Obama to be assistant secretary of labor for the Employee Benefits Security Administration.

Ironshore president Deutsch departing

Ironshore Inc. President Bob Deutsch will leave the insurer and will be

succeeded by Shaun Kelly, the Hamilton, Bermuda-based insurer said. Ironshore was unavailable for comment on why Mr. Deutsch is leaving the insurer. Mr. Kelly, chief executive officer of Ironshore's U.S. operations, will add the role of Ironshore president effective March 31. Mr. Deutsch helped launch Ironshore in January 2007 and was its original CEO.

GAUM leads cover for FedEx jet crash

Global Aerospace Underwriting Managers Ltd. was the lead insurer of the FedEx Corp. cargo jet that crashed on landing March 23 at Tokyo's Narita airport, killing the two pilots aboard. Sources said the insurance coverage led by the London-based insurer was placed by Chicago-based Aon Corp. The plane, a McDonnell Douglas MD-11, crash landed and burst into flames on arrival from Guangzhou, China.

XL to run off some life reinsurance

XL Capital Ltd. said it plans to put its U.K. and Irish life reinsurance businesses into runoff, given market

conditions. In a filing with the Securities and Exchange Commission, XL also said it "continues to explore options with respect to its U.S. life reinsurance operations" and that the moves are part of its announced strategy to focus on property/casualty business.

Noted

Standard & Poor's Corp. has revised its outlook on **Berkshire Hathaway Inc.**, Berkshire Hathaway Finance Corp. and Berkshire's core insurance companies to negative from stable. A decline in equity values so far this year caused a reduction in statutory capital of Berkshire's insurance companies, John Iken, S&P credit analyst, said in a statement. That change indicates "the group's capital is no longer redundant at the 'AAA' level," S&P said....Montana Gov. Brian Schweitzer has signed into law a bill that will provide a one-time tax break for small **captive insurance companies** that are newly licensed in the state. Under the new law that takes effect July 1, captive insurers subject to the state's \$5,000 minimum premium tax will have the assessment pro-rated during the year the captive is licensed.

Competition: E.U. may clarify some rules

CONTINUED FROM PAGE 1

renewed in 2003 and applies to all insurers operating in the European Union.

The block exemption is due to expire in March 2010, and the commission must decide this year whether to renew it or to let it lapse.

After a public hearing to be held in Brussels, Belgium, on June 2, the commission will decide whether to renew all, part or none of the exemption.

The regulation enables insurers to cooperate in certain areas, including standard policy conditions and model policies, without having to justify that cooperation under the European Union Treaty Article 81(3), which covers competition issues.

While removal of the exemption would not necessarily mean insurer cooperation on policy wordings and other matters would violate E.U. competition law, it would mean companies would have to seek legal clarification that their practices were not in breach of competition rules.

The commission said two forms of cooperation—joint calculations, tables and studies and insurance and reinsurance pools for hard-to-place risks—appear specific to the insurance sector and should continue to be protected under the block exemption.

But the commission said that while it agreed with insurers' and buyers' arguments that cooperation on standard policy conditions has helped encourage competition, there does not appear "to be a significant risk of less or noncooperation" if the block exemption is not renewed.

The commission noted that standard document wordings are used in other industries, such as banking,

without the need for a block exemption.

Rob Gillies, head of market processes at the Lloyd's Market Assn., which represents underwriters at Lloyd's of London, said the association was disappointed but not surprised that the commission's report did not recommend the renewal of the block exemption for standard policy conditions, which are widely used in London's subscription-based markets.

But he said the LMA welcomed the fact that the commission appears open to providing some form of guidance that would give market participants some clarity on how to cooperate on standard or model policy conditions.

Such guidance would "give firms the confidence that they are acting properly," he said.

The Comité Européen des Assurances, which represents insurers and reinsurers in Europe, said the removal of the block exemption for standard policy conditions could mean such model policies are less widely used.

"Without the legal certainty that the (block exemption) provides, there would likely be a significant drop in such cooperation, to the detriment of insurance buyers," said Michaela Koller, director general of the Brussels-based CEA.

She said the use of standard policy conditions enables comparability of products, which is to the buyers' benefit.

Paul Hopkin, technical director of the London-based Assn. of Insurance and Risk Managers, said AIRMIC found it encouraging that the commission may consider issuing guidance on the use of standard policy conditions.

Risk manager groups had favored an extension of the exemption arguing that it helped ensure cover-

age for hard-to-insure risks and expand market capacity by helping smaller insurers participate in placements.

Mr. Hopkin said AIRMIC gave a "cautious welcome" to the fact that the commission had indicated the block exemption might be maintained for co-insurance and reinsurance pools and the use of joint calculations tables and studies.

The insurance industry likely will be able to continue to cooperate on standard policy conditions, as the practice is not expressly banned under European law, said Lesley Ainsworth, a competition and E.U. law partner at law firm Lovells L.L.P. in London. However, removal of the exemption may eliminate some of the consumer protections the exemption guaranteed, she said.

For example, she said, the current exemption prohibits insurers from forcing buyers to accept multiyear policies.

The commission said cooperation on joint calculations, tables and studies—such as marketwide statistics—appeared to benefit competition.

In addition, the commission said risk-sharing among certain types of risks—such as nuclear, terrorism and environmental—is crucial because individual insurers may be reluctant to underwrite those risks alone and in their entirety. Such pooling arrangements are specific to the insurance industry and the pools may not survive if block exemption is not renewed, according to the commission's report.

But if the block exemption is renewed, the commission said it likely will redraft the chapter on pools "to ensure consistency with other general and sector-specific legislation."

Profits drop at Lloyd's as cats, recession hit

Outlook for 2009 remains unclear

By SARAH VEYSEY

LONDON—Profits at Lloyd's of London fell by roughly half in 2008, but the market performed relatively well considering the natural catastrophes that hit last year and the ongoing turmoil in investment markets, observers say.

Favorable currency movements, prior-year reserve releases and the market's previous efforts to control underwriting helped stem the drop in profits, they say.

The outlook for 2009 is unclear, though, as only modest increases in insurance rates are expected.

Lloyd's last week announced a



pretax profit of £1.90 billion (\$2.73 billion) for 2008, compared with £3.85 billion (\$7.66 billion) in 2007.

Lloyd's said its investment return fell to £957 million (\$1.36 billion) for 2008 compared with £2.01 billion (\$4 billion) the previous year.

The London-based insurance market said its combined ratio for 2008 rose to 91.3% in 2008 compared with 84% for the previous year.

The central assets of the market—including the Central Fund, which is intended to bail out syndicates that cannot meet their liabilities, as well as other assets of the Lloyd's—increased to £2.07 billion (\$2.98 billion) in 2008 compared with £1.95 billion (\$3.88 billion) in 2007.

Lloyd's said its surplus from prior years' reserves was £1.27 billion (\$1.83 billion) in 2008 compared with £856 million (\$1.70 billion) in 2007.

"The market has inevitably been impacted by significant claims from natural catastrophes, lower insurance rates and a reduction in investment income, but this has been partially offset by currency movements and prior-year surpluses," said Lord Levene, chairman of Lloyd's, in a statement.

Lloyd's Chief Executive Richard Ward described 2008 as "an extraordinary year" with the financial crisis, global recession, banking collapse and problems at American

International Group Inc., making it a challenging year for all companies, particularly those involved in financial services, he said.

But Lloyd's was pleased to have proved itself "pretty resilient" and that the market's "mantra for 2009 is underwriting discipline," he said.

The underwriting performance of the market was hit by large hurricane losses, said Luke Savage, finance director of Lloyd's.

Major losses contributed 12.7 percentage points to the market's combined ratio for 2008, and cost the market about £1.75 billion (\$2.52 billion), he said.

Lloyd's loss from Hurricane Ike was about £1.2 billion (\$1.73 billion) and from Hurricane Gustav about £200 million (\$287.5 million). Last year was the third worst for the industry and for Lloyd's in terms of catastrophe losses, Mr. Savage said.

Foreign exchange movements had a significant effect on the market's results, he said. The weakening of the British pound against the U.S. dollar has a beneficial effect for Lloyd's, which receives much of its premium volume in dollars but which has costs largely in sterling.

Foreign exchange gains and prior-year reserve releases "really boosted" Lloyd's 2008 results, said Andrew Hubbard, partner and head of the insurance and pension funds practice at accountancy firm Mazars L.L.P. in London.

Because last year's insurance rates still were softening, the asset side of the balance sheet was hit by financial market turmoil and there were several large catastrophes, but the results are encouraging, he said.

"Overall, under the circumstances and in a difficult market, it demonstrates that the measures the market has taken to control underwriting have paid off," said Mr. Hubbard. Those efforts included the creation of a panel to monitor syndicates' business plans.

Lyuba Tarnopolsky, a director at Fitch Ratings Ltd.'s insurance rating group in London, said Lloyd's results were "relatively resilient in the face of challenging conditions in the investment markets and the significant catastrophe losses of 2008."

"Helped by the decline of the pound and releases of claim reserves from prior years, the £1.90 billion pretax profit was within Fitch's expectations given the recent market turmoil and helped to maintain a strong solvency surplus," she added.

For 2009, Lloyd's expects to see a slow increase in rates for most lines of insurance and reinsurance it underwrites, according to Rolf Tolle, franchise performance director at Lloyd's.

He said there had been no dramatic increase in rates at the Jan. 1 renewal and that overall, on a whole-account basis, rates had increased by about 3% to 3.5%.

Irked dentist wins battle to muffle Yelp

Further proof of the Internet's effect on business arrived last week when a California court ruled on a dentist's lawsuit against a couple who reportedly bad-mouthed her on Yelp, a popular review site.

According to a Santa Clara County Superior Court judge, Forest City, Calif., dentist Yvonne Wong proved she was defamed by the comments made by Tai Jing and Jia Ma.

The couple reportedly complained on the Web site that Ms. Wong filled their 4-year-old son's cavity with a mercury filling and laughing gas made him lightheaded.

Ms. Wong sued in December, alleging the review libeled her and caused her emotional distress.

According to a *MediaPost.com* report, Ms. Wong's attorney, Marc TerBeek, argued the online posting implied Ms. Wong had not sought the parents' informed consent to fill the cavity and use nitrous oxide.

The contested post on Yelp has been removed. However, three five-star-rated comments on the dentist have been posted, most of them saying they've never had any problems with Ms. Wong.

The parents tried to get the case dismissed under California's consumer-friendly anti-SLAPP (Strategic Lawsuits Against Public Participation) law, which allows dismissal of lawsuits that aim to stifle discussion on matters of public importance.

Their attorney plans to appeal the court's decision.



Business Insurance END PAGE

Contributing: Jeff Casale, Jerry Geisel



New York construction worker Ralph Amendolano is \$1,500 richer after playing the last three digits of Bernie Madoff's inmate number in the lotto.

Lotto winner has Madoff's number

After Bernie Madoff spent years bilking investors of millions of dollars, someone finally made money on him.

According to a report in the *New York Daily News*, Ralph Amendolano, a construction worker from Queens, purchased a lottery ticket the day after Mr. Madoff was sentenced to jail and played the last three digits of Mr. Madoff's inmate number, 61727-054.

The outcome: Mr. Amendolano became \$1,500 richer.

"I'm going to be a winner with this guy even though everyone lost money with him," Mr. Amendolano told the *Daily*

News, recalling when he bought the lottery ticket.

By playing the last three digits of Mr. Madoff's inmate number, Mr. Amendolano made a hefty return on his \$9 investment, something Mr. Madoff's investors failed to see.

According to the report, 501 people played the winning number the Sunday after Mr. Madoff's inmate number was made public, compared with the 120 the day before.

"It's pretty common when you have a number that hits the public," a lottery spokeswoman told the newspaper. "A lot of people are very superstitious."



Obama taps Aon lawyer for transit counsel post

Robert S. Rivkin, vp and deputy general counsel at Aon Corp., looks to be headed to Washington to manage risks that likely are very different than those he handled at the Chicago-based brokerage.

President Obama nominated Mr. Rivkin to be the Department of Transportation's general counsel. The nomination earlier this month is subject to Senate confirmation.

Based on his background prior to joining Aon in 2004, Mr. Rivkin should be well-prepared for his new post.

From 2001 through 2004, Mr. Rivkin was general counsel to the Chicago Transit Authority, the second-largest public transportation system in the United States with more than 4,000 buses and light rail cars.

More recently, Mr. Rivkin helped set up and lead the Obama for America transportation committee and was a member of DOT's transition team.

He is at least the second high-ranking insurance industry executive tapped by the Obama administration.

Earlier, Neal Wolin, president and chief operating officer of Hartford Financial Services Group's property/casualty operations, joined the White House staff as deputy counsel for economic policy and deputy assistant.

Pension play lands Vick in trouble...again

Michael Vick might have been slick in eluding defenders on the football field as quarterback for the Atlanta Falcons, but he can't seem to escape the grasp of the federal government.

The U.S. Department of Labor filed a lawsuit against Mr. Vick on Wednesday in federal district court in Newport News, Va., alleging that he violated federal employee benefits law when he made a series of prohibited transfers from a pension plan sponsored by one of his companies, MV7.

The department also filed an adversary complaint in federal bankruptcy court to

prevent Mr. Vick from discharging his alleged debt to the MV7 retirement plan.

MV7 is a celebrity marketing company Mr. Vick owned. The company sponsored a defined benefit retirement plan for nine current and former employees.

The DOL alleges Mr. Vick violated his duties as a plan trustee under the Employee Retirement Income Security Act when he made a series of transfers from the plan for his own benefit, according to the complaint.

According to the department, Mr. Vick was using plan assets to pay the several million dollars in criminal restitution

imposed on him after he was convicted of running an illegal dog fighting ring.

The department stated Mr. Vick made \$1.35 million in withdrawals from the retirement plan from March 7, 2007, through July 7, 2008.

Mr. Vick filed for Chapter 11 bankruptcy on July 7, 2008, and is serving a 23-month sentence in federal prison. He is slated to be released from prison in July.

Former NFL player Michael Vick is the target of a Department of Labor lawsuit that claims he violated federal employee benefits law.



REUTERS



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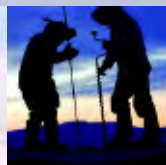
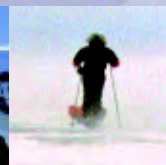
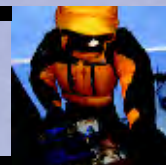
If your job requires you to plan for the potential effects of climate change, our job requires us to get you the hard facts you need.

CATLIN

arctic survey

THE TEAM FORGES ON

64.6°N 101.3°W



The journey continues. Since February 2009, the Catlin Arctic Survey Team has been making a 1,200 km journey on foot to the North Pole, measuring the thickness of the Arctic's permanent ice at millions of points along the way. It is the most ambitious effort ever taken to evaluate the status of the polar ice cap, and scientists believe this information is vital to those planning for the potential effects of climate change.

As a leading global insurer, we at Catlin believe we have a responsibility to consider the impacts of climate change when assessing risk. And we take that same approach to your insurance and reinsurance needs – using hard facts and expert insight to underwrite your ambition.

Follow the journey at catlinarcticsurvey.com.

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