

OPIOIDS IN CALIFORNIA

- Total comp claims involving opioid prescriptions in 2011: 115,447
- Estimated total medical benefits paid on those claims: \$674.4 million
- Estimated total indemnity benefits for such claims: \$789 million



Source: California Workers' Compensation Institute January 2013 report

WORKERS COMPENSATION

California takes aim at opioid addiction

BY SHEENA HARRISON

California lawmakers and workers compensation regulators want to curb prescription opioid abuse, and they are turning to Washington state for inspiration in the fight against narcotic addiction and deaths.

Last fall, prescription drug abuse provisions were left out of a California workers compensation reform bill to help the legislation win passage, experts say.

Now that those reforms are being implemented, California is attacking opioid painkillers on several fronts, including new workers comp medical regulations and a push to boost funding for the state's prescription drug monitoring program.

"There's a lot of interest in the opioid abuse issue, which was not addressed in" the recently passed law, said Marjorie Berte, Western

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WELLNESS

EMPLOYERS PUSH WORKERS INTO WELLNESS PROGRAMS

Many firms using penalties to change behaviors



BY MATT DUNNING

Penalties can be effective in boosting wellness program participation among at-risk workers, but employers must be prepared to address negative reactions from employees.

The percentage of employers incorporating premium increases, so-called "gated" health plans and other penalties for nonparticipation in wellness initiatives, has shown modest but steady growth during the past several years.

However, for those penalties to be an effective incentive, it's essential that companies have clear and consistent communication of their overall wellness goals with their employees.

The issue of wellness penalties was highlighted last month when pharmacy chain CVS Caremark Corp. announced it would increase premiums for employees that don't take certain health screening tests.

In 2012, 15% to 22% of employers had incorporated some form of penalty into their wellness programs, according to several recent surveys conducted by health care consultants and nonprofit organizations. Additionally, 36% to 58% of employers surveyed said they plan to add penalties within the next three

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INDUCING WELLNESS

Among U.S. employers that reported penalizing employees for wellness nonparticipation:

62%

increase employees' health insurance premiums



17%

mandate employee wellness participation



8%

increase employees' medical copayments



6%

reduce employees' health benefits

Source: Buck Consultants L.L.C.

HEALTH CARE REFORM

Health reform may push up comp costs

Mandates could lead to higher payroll tallies

BY ROBERTO CENICEROS

The Patient Protection and Affordable Care Act could increase the price employers pay for workers compensation insurance by influencing underwriters' tabulation of policyholders' payrolls and premiums.

That, however, will depend on certain decisions employers make when complying with the health care reform law's requirements to provide employee health care coverage, according to an NCCI Holdings Inc. analysis of the law.

A workers comp policyholder's premium amount will be affected, for example, by how employers manage money the law mandates that health plan insurers rebate to their customers under certain conditions.

Overall, however, it remains largely unknown how the 2010 law will affect workers comp areas that drive insurance costs, such as medical treatment and indemnity durations, although speculation abounds, several sources said.

"It is vastly unknown," said Bruce Hockman, executive vice

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NEWS

HEALTH CARE REFORM

HEALTH CARE COSTS MAY ROCKET FOR SOME EMPLOYERS

Reform law expected to drive increased enrollment

BY JERRY GEISEL

Amid a prediction of spiraling claims costs in the individual market due to the health care reform law, experts say certain employers also face double-digit increases in the coming years.

In a report last month, the Society of Actuaries predicted that claims costs in the individual health care market would be 32% higher by 2017 than had the Patient Protection and Affordable Care Act not been enacted.

Reasons for those increases include greater use of health care services by individuals who previously had no health coverage, according to the report.

For most employers, whose enrollments should change little in 2014 when many PPACA provisions begin, cost increases likely will remain fairly close to those in recent years.

Medical "trends are not expected to be much higher next year," said Michael Thompson, a principal with PricewaterhouseCoopers LLP in New York. "We have been in a relative honeymoon, and there is no reason to anticipate that things will get worse."

On the other hand, Mr. Thompson said, "employers in some industries may see their medical



costs increased substantially due to higher benefit mandates as well as a swelling number of people enrolled. Those increases could range from 30% to 50% depending on the circumstances."

Employers in the retail, restaurant and hospitality industries will face the steepest increases.

Some employers in those industries "will see an average increase of 60% percent. These costs are in addition to health trends," said Rick Kahle, president-employee benefits at Lockton Cos. L.L.C. in Kansas City, Mo.

Some will be affected by the 2013 year-end expiration of waivers that

allowed them to offer employees what are known as mini-med plans.

Such low-cost, limited-benefit plans would have flunked health care reform law annual limits, which are \$2 million this year, except for special waivers employer sponsors received from the Department of Health and Human Services. Starting in 2014, all health care plans will be barred from imposing annual dollar limits on essential benefits with the exception of grandfathered plans.

But with the coming expiration of those waivers covering plans with

PPACA IN 2014

- Employers liable for \$63 fee for every health plan participant.
- Health insurers liable for \$8 billion in excise taxes.
- Employers must offer coverage to employees working at least 30 hours a week or pay a \$2,000 fee for each full-time employee.
- Employers liable for \$3,000 penalty for each full-time employee whose share of the premium for self-only coverage exceeds 9.5% of wages.

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RISK MANAGEMENT

Spike in employee theft blamed on recession

BY JOANNE WOJCIK

When times get tough, employees may be tempted to steal from their employers, as was evidenced by the uptick in employee theft and dishonesty that occurred during the most recent economic downturn.

Given that it often takes 18 months to uncover incidents of employee theft, most of the occupational fraud that occurred during the Great Recession are just now coming to light, according to a report published by the Austin, Texas-based Association of Certified Fraud Examiners.

"Occupational Fraud: A Study of the Impact of an Economic Recession," documented the increase in employee theft occurring from early 2008 through early 2009 — the height of the economic downturn.

The study also found that employee layoffs that were pervasive during the time period left "holes in organizations' internal control systems," making them more susceptible to occupational fraud.

More than half — 55.4% — of the 507 randomly selected certified fraud examiners who responded to the ACFE survey reported that the level of occupational fraud was

slightly or significantly increased during the recession compared with the amount of such crimes they investigated or observed in prior years. In addition, about half of the investigators surveyed — 49.1% — cited increased financial pressure as the biggest factor contributing to the increase in occupational fraud.

"The theory is, in a down economy, you see more occupational fraud. Financial distress is the impetus," said John Warren, vice president and general counsel at ACFE. Moreover, "frauds are

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EMPLOYEE BENEFITS

Employers await high court ruling on gay marriage

Decision could affect group benefit plans

BY MATT DUNNING

Legal experts predict that while the U.S. Supreme Court's forthcoming decision on the federal Defense of Marriage Act likely will be limited in scope, its ruling still could affect thousands of employers' group benefit plans.

Attorneys on both sides of a constitutional challenge to Section 3 of DOMA, which restricts the federal definition of marriage to the union of one man and one woman, presented their oral arguments to the Supreme Court late last month.

In light of the justices' comments during the arguments, legal experts said it is probable the court will strike down that provision on the grounds that it overextends the federal government's jurisdiction on marital law.

"I think the court is likely to determine that marriage is reserved for the states to control under the Constitution, and that it's not necessary for the federal government to make some broad proclamation," said Bennett Pine, a New York-based shareholder at law firm Anderson Kill & Olick P.C.

The court's ruling could have material implications for benefit managers and the group plans they oversee. An overturn of DOMA's Section 3 provisions would provide administrative relief to employers that already offer spousal benefits to legally married same-sex couples by ending their disparate treatment under the federal Tax Code, experts said.

Additionally, self-funded group health plans are governed by the Employee Retirement Income Security Act, which relies on DOMA for its definitions of "marriage" and "spouse."

But without those federal definitions in place, experts said self-funded employers offering benefits to opposite-sex spouses in states that recognize same-sex marriage could be obligated to extend equal benefits to lawfully wed gay couples, or else stop providing spousal benefits altogether.

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ONLINE
FEATURES

SOLUTION ARC

How to prevent employee theft of intellectual property

This new solution arc analyzes the threats presented by employee theft and how employers can protect themselves. www.BusinessInsurance.com/TheftArc

VIDEO



In Focus: 2013 forecasting

Business Insurance examines the financial outlook for the insurance sector in 2013. www.BusinessInsurance.com/video

AWARD

Benefit manager awards

Nominations are still open for Business Insurance's 2013 Benefit Manager of the Year® awards. www.BusinessInsurance.com/BMOYnominate

WHITE PAPER

Workplace violence



Workplace violence is a significant problem for employers. A new Business Insurance white paper discusses how to prevent violent incidents, and what to do if they should occur.

www.BusinessInsurance.com/WorkplaceViolenceWP

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NEWS

PROPERTY/CASUALTY INSURERS

LLOYD'S POSTS 2012 PROFIT; READIES FOR CHALLENGES AHEAD

Economic, regulatory uncertainties loom for market

BY SARAH VEYSEY

Despite substantial catastrophe and disaster losses, Lloyd's of London posted a profit of more than \$4 billion last year and officials and observers say the market is ready to face economic and regulatory uncertainties this year.

Lloyd's reported a profit of £2.77 billion (\$4.22 billion) for 2012 despite large losses from Superstorm Sandy and the sinking of the cruise ship Costa Concordia.

CEO Richard Ward said Lloyd's is poised for growth and well-placed to weather the weak economy this year, an onerous regulatory environment and "frustrating" delays in implementing Solvency II, the risk-based capital regulatory regime for insurers and reinsurers in Europe.

Lloyd's 2013 profit compares with a £516 million (\$784.4 million) loss for 2011, the costliest year in history for insured natural disaster losses, Mr. Ward said last month.

The Lloyd's market saw written premiums grow by about 9% to a record £25.5 billion (\$38.8 billion) in 2012. This growth was driven in part by an average 3% rate increase on business written within the market, he said.

Lloyd's posted a 2012 investment return of £1.31 billion (\$2 billion), up from £955 million (\$1.45 billion)



LLOYD'S OF LONDON

Lloyd's 2013 profit compares with a £516 million (\$784.4 million) loss for 2011, the costliest year in history for insured natural disaster losses.

in 2011.

The market's 2012 combined ratio was 91.1% compared with 106.8% in 2011.

"This is a good result for Lloyd's, despite net incurred claims of more than £10 billion" (\$15.2 billion), and despite the continued challenging global economic environment and regulatory uncertainty, Mr. Ward said.

He noted that Lloyd's claims from Superstorm Sandy totaled about \$2.2 billion (\$3.34 billion).

Most classes of business were profitable in 2012, said Luke Savage, director of finance and operations at Lloyd's.

He said marine business saw a loss of about £200 million (\$304.4 million) from the January 2012 sinking of the Costa Concordia. That coupled with large marine losses from Superstorm Sandy had caused rates to harden for some marine lines.

See LLOYD'S page 28

AGENTS & BROKERS

Broker licensing measure may see hurdles

BY MARK A. HOFMANN

Supporters of a bill that would streamline nonresident insurer producer licensing must surmount several challenges if the measure is to become law in this Congress.

The measure — the National Association of Registered Agents and Brokers Reform Act of 2013 — would establish a nonprofit organization to streamline the licensing process for insurance agents and brokers operating outside their home states.

The idea is not new. The Financial Services Modernization Act of 1999, better known as the Gramm-Leach-Bliley Act, called for establishing NARAB if 29 states passed reciprocal or uniform licensing statutes. The NAIC certified that 35 states had met the requirement by September 2002.

But while most jurisdictions passed some form of licensing reform, their efforts fell short of what supporters sought.

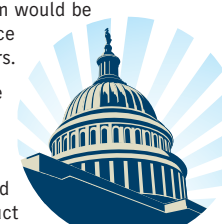
"Reciprocity is never as good as uniformity in our mind, and there

See NARAB page 28

NARAB II HIGHLIGHTS

The National Association of Registered Agents and Brokers Reform Act of 2013, S. 534 and H.H. 1064, which was introduced in Congress last month, would amend the Gramm-Leach-Bliley Act to establish the National Association of Registered Agents and Brokers.

- NARAB II would provide a mechanism through which licensing, continuing education, and other nonresident insurance producer qualification requirements and conditions may be adopted and applied on a multistate basis without affecting state laws, rules and regulations, and preserving state rights.
- NARAB would consist of 13 presidentially appointed directors, eight of whom would be state insurance commissioners.
- It would have no authority over state consumer protection and market conduct regulations.



ACTIONS TO DATE

- Referred to the Senate Banking, Housing and Urban Affairs Committee. The committee's Subcommittee on Securities, Insurance and Investment held a hearing on March 19.
- It was referred to the House Financial Services Committee. No hearings have been held yet.

Source: Library of Congress, Thomas.gov

LEGISLATION & REGULATION

European regulators may add to insurers' burden

BY SARAH VEYSEY

Interim rules that would govern insurers and reinsurers doing business in Europe until Solvency II goes into effect include a requirement that quarterly reports be filed, somewhat of a surprise to the market.

The proposals, published last month by the European Insurance and Occupational Pensions Authority, likely would maintain the momentum of companies preparing for the new capital regulatory regime. But experts say certain elements would increase insurers' burden until Solvency II

goes into effect, which now looks to be 2016.

EIOPA's consultation document invites public comment on its proposals that are intended to help national regulators prepare for Solvency II. Interested parties have until June 19 to make comments on the proposals.

Once agreed upon, the interim guidelines would go into effect in January 2014, with allowance for a "phasing in" period, said EIOPA Chairman Gabriel Bernardino.

National regulators will be required either to comply with the guidelines or explain why they have not complied. "They are not

just wishes, they are more than that," Mr. Bernardino said.

The formal risk-based capital rules for insurers and reinsurers in Europe had been slated to go into effect next year, but implementation has been stalled over disagreements on the treatment of life insurers' long-term guarantees, among other issues.

In a briefing, Mr. Bernardino said he hoped the interim guidelines would spur European lawmakers to find a solution to disagreements about the formal rules.

He said he was confident that the

See SOLVENCY page 28

OUTRUN RISK.

You can't



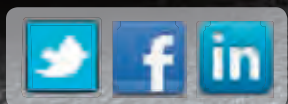
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Helping executives at midsize firms and their brokers handle critical risks.

MEDICARE NEVER-EVENT RULE DRIVES HOSPITAL PATIENT SAFETY

Midsize hospitals lead in liability claims but lag in making most of data

BY MATT DUNNING

Nearly five years after federal health regulators ended Medicare reimbursements for certain hospital-acquired conditions, experts say the feared onslaught of malpractice losses resulting from the change has yet to materialize.

Since the Centers for Medicare and Medicaid Service's 2008 designation of 27 nonreimbursable never events — hospital-acquired problems such as infections, injuries, medication errors, pressure ulcers and foreign objects left after surgery, which regulators determined were reasonably preventable and would no longer be reimbursed through Medicare — the average frequency of hospital professional liability claims rose 1% in 2012 vs. 2008. Meanwhile, the severity rate increased 1.3%, according to a 2012 study by London-based Aon P.L.C. and the American Society for Healthcare Risk Management.

"We're not seeing plaintiffs counsel coming into court and trying to impose never-event language as a form of strict liability," said Chris Godley, a Columbus, Ohio-based vice president of the medical risk practice at Hylant Group Inc.

While CMS' reimbursement revision did not result in a major spike in the frequency or severity of liability claims for health care-acquired conditions, those exposures did account for 29% of total dollar losses between 2007 and 2011, according to Aon's study.

Where the revision did appear to have a substantial effect is driving the integration of patient safety measures with hospitals' risk management strategies, experts said.

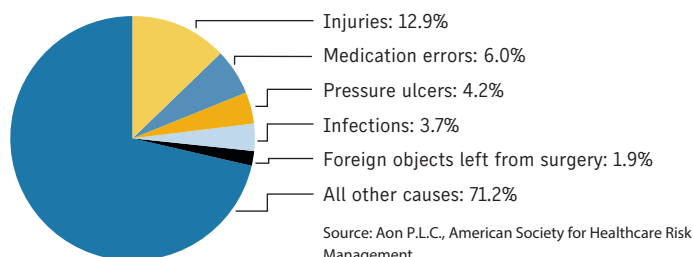
According to ASHRM's most recent study of hospital risk managers' duties, conducted in late 2009, a year after CMS' "never events" list was published, 97% of hospital risk managers listed patient safety as a primary or secondary function of their department, compared with 73% in a 2006 survey.

The never-event rule change "set in motion an opportunity for risk managers to be more proactive in terms of looking at the evidence that's available, in order to



LOSSES

Nearly 29% of medical malpractice liability claim losses were attributable to one of the five health care-acquired conditions for claims closed between 2007 and 2011. The five were:



decrease some of these things that are happening," said Ann Gaffey, a Memphis, Tenn.-based senior vice president of health care risk management and patient safety at Sedgwick Claims Management Services Inc.

"It also gave us an opportunity to correlate the clinical impact directly with the financial impact for hospitals from both patient care revenue and from a claims perspective," she said.

Interestingly, patient safety was more prevalent as a function of risk management among small and midsize hospitals than among their larger counterparts, according to ASHRM's 2009 study.

Seventy percent of hospitals with fewer than 100 beds and 53% of hospitals with 100 to 199 beds said patient safety was a primary function of their risk management department's operations, compared with 44% of hospitals with 200 to 299 beds and 37% of hospitals with 300 to 499 beds.

"Because of the CMS rule on hospital-acquired conditions, in tandem with other cost-reduction pressures, I think hospitals really are getting better at improving patient safety," said Paul Greve, the Fort Wayne, Ind.-based executive vice president of Willis North American Inc.'s health care practice. "I think it's one of the reasons

that malpractice claims have been held in check."

However, experts said malpractice claim frequency has grown at a faster pace for small and midsize hospitals, suggesting that the prevalence of patient safety as a risk management function among smaller hospitals more often is the result of a consolidation of duties than a true integration of separate management units.

"We've seen over time that that kind of combined-function staffing just doesn't facilitate the concentration on risk that we think is necessary," said Tim Over, a Chicago-based senior vice president of specialty operations at Sedgwick. "Also, mid-market facilities tend to be really behind the curve in terms of loss metrics and data analytics. They're the ones that are really struggling to get up to speed in terms of what they need to do with their data."

Experts said the Medicare never-event rule also has contributed, at least in part, to a greater emphasis among health care providers on preventing trial verdicts in malpractice cases by making disclosures, apologies and appropriate compensation to malpractice claimants far earlier than they might have in the past.

According to Aon's 2012 benchmarking study, just 6% of malpractice claims were resolved by a trial verdict; 63% were resolved in out-of-court and nonsuit settlements. The remaining 31% were expense-only claims.

"You're starting to see some of these never events and hospital-acquired conditions resolved more quickly," said Roberta Carroll, a Tampa Bay, Fla.-based senior vice president at Aon Risk Solutions' health care practice. Still, she said, the risk of plaintiffs counsel using the CMS never-event classification to weaken providers' legal arguments is very real in theory, if not yet in practice.

"It's certainly something that could be used against a health care provider in court," Ms. Carroll said. "As a result, I think providers are starting to see the writing on the wall, and if they can settle a claim out of court, they will."



INTEGRATION IMPROVES RESULTS

Though they often operate separately, hospitals' risk management and quality-of-care management departments share overlapping functions that can lead to better loss control and patient safety performance when they are integrated, experts said.

Recommended forms of collaboration to improve safety and reduce losses include:

- Implement an interdepartmental program to share data and information that includes adverse-event reports, liability claims and case outcomes, patient safety policies and protocols, peer reviews, patient and staff complaints, reports to executive management as well as provider credentialing.

- Establish a comprehensive incident-response plan setting specific departmental responsibilities to notify, investigate and communicate with patients and families.

- Develop a cohesive staff education and training program for patient safety and relations policies, environmental safety and occupational health, data management and corporate compliance.

- Communicate regularly with other administrative and medical care departments to address operational issues such as accreditation, provider credentialing, regulatory developments, patient education and strategic corporate planning.

By Matt Dunning

“When managing a 17-block complex, you need an insurance carrier who can handle complex projects.”

**Lou Haddad, President & CEO
Armada Hoffler**

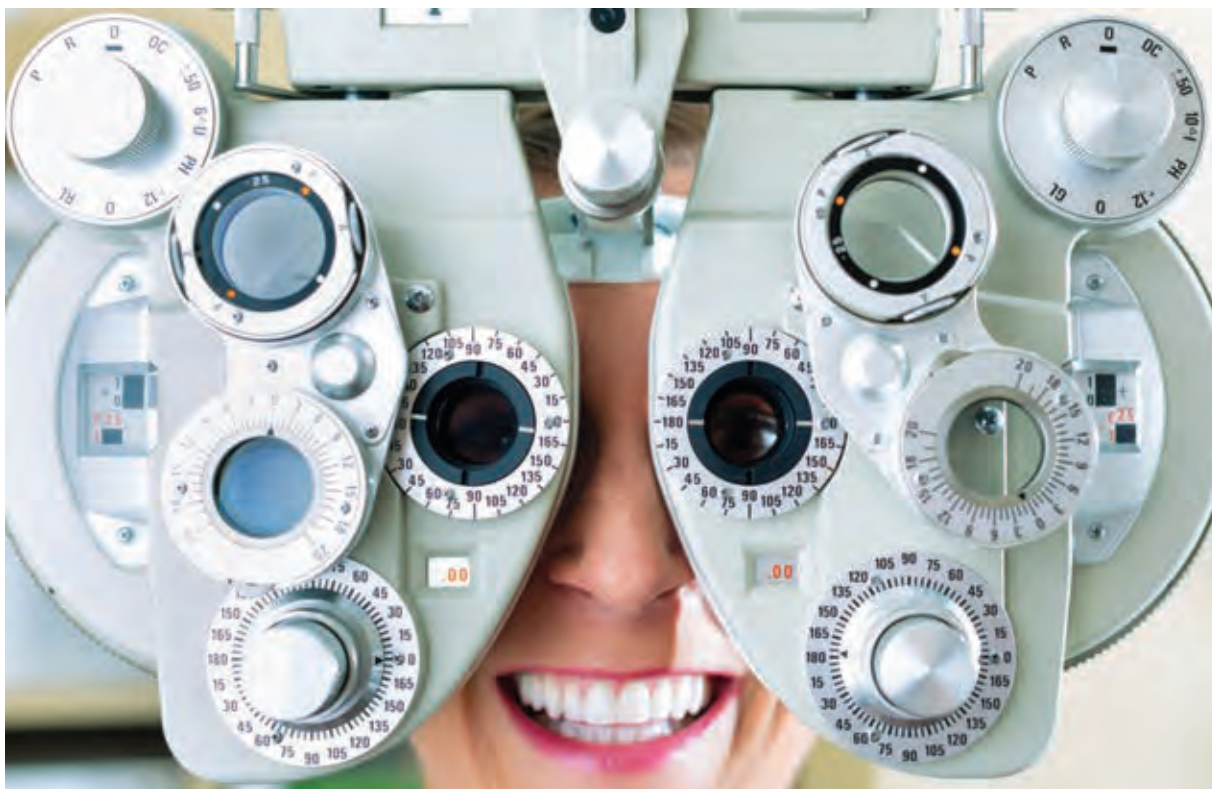
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Helping executives at midsize firms and their brokers develop benefits solutions.

FOCUS ON VISION, DENTAL SHARPENS RETENTION, COST STRATEGIES

Mid-market employers often ask workers to pay at least 30% of premiums



BY SHEENA HARRISON

Voluntary vision and dental insurance is becoming more popular among employers who seek to bolster benefits for their employees.

Companies are finding a wealth of competition in the market, as many insurers have begun adding vision and dental lines since the Patient Protection and Affordable Care Act was enacted in 2010. Experts say the availability of options has not cut pricing, but it has given mid-market companies a variety of plans that can best suit the needs of their employees.

The options are helping mid-market employers provide benefit packages that can attract and retain employees, despite the fact that companies are requiring employees to shoulder a larger portion of insurance premiums, said Alyssa Williamson, Atlanta-based senior associate for integrated benefits with Mercer L.L.C.

“Most employers understand right now the importance of benefits to the overall compensation package that their employees are earning,” Ms. Williamson said.

Employers are looking at vision and dental coverage for their staffs as a cost-effective way to round out their benefit programs, said Alan Hirschberg, vice president of dental and vision products for MetLife Inc. in Bridgewater, N.J.

“We continue to see that benefits like these are good for driving employee loyalty and job satisfaction,” Mr. Hirschberg said.

Sales of voluntary insurance have grown. A survey last year by industry association LIMRA International Inc. showed that vision coverage

increased 75% year-over-year in the second quarter of 2012, while dental rose 1%.

While large companies often cover part of the premiums, mid-market firms often ask employees to cover at least 30% of premium costs for vision and dental, said Tim Falanga, Shelton, Conn.-based executive vice president of Managing Agency Group, an AmWINS Group Inc. unit.

“It also depends on the industry of the employer and if they are in a retention mode,” Mr. Falanga said. “If (they’re) downsizing, they are likely not paying for vision and dental. The state of the economy impacts if these benefits are being paid for or not.”

Since vision and dental premiums are relatively inexpensive, employees typically are OK with taking on that cost, Mr. Hirschberg said.

“They just really want access to the benefits on a group basis so they can get more competitive premiums and buying power that way,” Mr. Hirschberg said. “They’d rather pay the premium than not have the benefit offered.”

Costs for vision and dental plans range widely depending on geography and the amount of coverage offered, experts say.

Mr. Falanga estimates that dental can range from \$40 per employee to \$140 per family per month. Vision can cost \$10 for an employee and \$20 to \$22 a month for family coverage, he said.

Insurers often charge higher premiums for plans that are paid fully by employees because those plans tend to take on higher risks.

“The employees who opt for the dental plan may do so because they need dental work,” he said. “The employee with a healthy mouth may

decide to simply pay for cleanings twice a year because that is less expensive than paying a monthly premium.”

While vision and dental insurance can supplement group health insurance, they also cover tests and procedures that can reduce medical costs down the road for employers.

Eye and dental exams can be crucial in the early detection and management of cardiovascular disease and diabetes and reduce employers’ medical costs, said Tom Mole, Pittsburgh-based head of specialty sales for Aetna Inc.

Steve Roper, president of Roper Insurance & Financial Services Inc. in Englewood, Colo., said most major health insurers have offered vision and dental coverage in the last couple years as they gear up for health care reform compliance. He thinks the growing availability of voluntary coverage is based on insurers’ desire to boost their bottom lines in light of health care reforms, but prices have been flat.

Mr. Roper said employers should compare and contrast the various insurer options to find dental and vision coverage that fits their employees’ specific needs. For instance, highly compensated employees may want a dental plan that covers adult orthodontics, while lower-wage workers may want coverage that pays for fillings and other basic dental care.

A customized plan is essential “because each employer group is different,” Mr. Roper said.

Companies also can offer multiple vision or dental plans to their employees, which would allow workers to select premium amounts and benefit levels that best fit their needs, he said.

PLAN SELECTION TIPS

- Shop around for dental and vision plans offered by various insurers to select options that fit the needs of employees.
- Consider offering multiple plans, allowing employees to choose coverage options that work best for them.
- Look for plans that can be integrated with group health benefits. For instance, eye exams are sometimes covered under medical plans. Employers can consider providing a “materials only” vision plan that would cover glasses and contact lenses.

ON THE BRIGHT SIDE

Advantages of offering voluntary dental and vision insurance

- Helps attract and retain employees by bolstering the company’s overall benefits package.
- Can help detect serious medical conditions such as high blood pressure, high cholesterol and diabetes before they result in high medical costs.
- Premiums are relatively low compared with medical plans, allowing employees to cover some or all of the cost for voluntary coverage.

VOLUNTARY OFFERINGS

Voluntary dental and vision coverage offered by employers

Companies with 500 or more employees

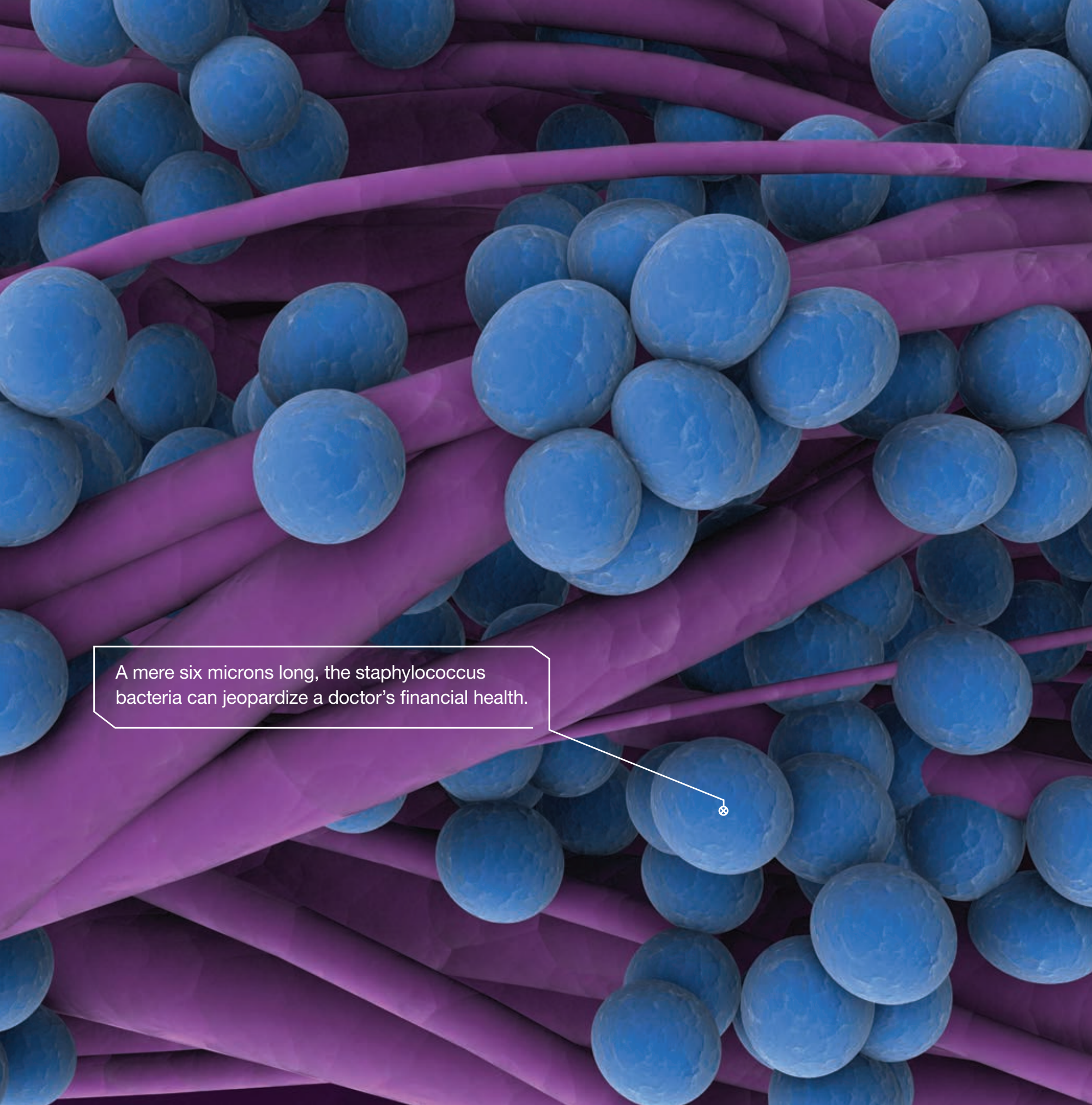


Companies with fewer than 500 employees



Source: MetLife Inc. 2012





A mere six microns long, the staphylococcus bacteria can jeopardize a doctor's financial health.

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Underwriting Ambition

SPECIALTY INSURANCE		REINSURANCE		AM Best rating of A (Excellent) XV					
Accident & Health	Aviation	Casualty E&S	Energy	Environmental	Equine	HEALTHCARE LIABILITY	Marine	Multiline E&S	Professional Liability

PartnerRe forms SPV for cat reinsurance

PartnerRe Ltd. has formed a Bermuda-based special purpose vehicle to provide it with additional capacity on catastrophe reinsurance treaties. Pembroke, Bermuda-based PartnerRe said that the facility, Lorenz Re, is capitalized at \$75 million and will provide the reinsurer with capacity for a diversified portfolio of catastrophe reinsurance treaties over a multiyear period.

Robert Hiscox receives Lloyd's gold medal

Lloyd's of London awarded Robert Hiscox its gold medal for services to Lloyd's. Mr. Hiscox, who stepped down as chairman of Hiscox Ltd. earlier this year after almost half a century in the market, was honored at a special ceremony in the Lloyd's building. Among other achievements, Mr. Hiscox was deputy chairman of Lloyd's between 1993 and 1995. He also played a key role in the Reconstruction and Renewal program that reformed the market during the 1990s after it almost collapsed because of asbestos losses.

President-elect eyes deals for Tokio Marine

The president-elect of Tokio Marine Holdings Inc., Tsuyoshi Nagano, says that Japan's largest property/casualty insurer by market value will continue to aggressively pursue overseas acquisitions amid weak growth prospects at home. Mr. Nagano, currently the company's executive vice president, was named the next president and CEO, replacing Shuzo Sumi. In Mr. Sumi's six-year tenure, Tokio Marine has made overseas acquisitions a priority. In 2008, it bought U.S. insurer Philadelphia Consolidated in a \$4.7 billion deal and Lloyd's of London insurer Kiln for £442 million (\$671 million). Mr. Nagano said the company is hungry for more deals. "We would like to actively pursue acquisitions when there is a chance. We always keep our door open," he told a news conference.

Reuters

Taiwan to ease rules on deals by Chinese firms

Taiwan is set to ease rules to allow Chinese banks to buy bigger stakes in local banks and permit more Chinese firms to invest in its financial industry, a move mark-

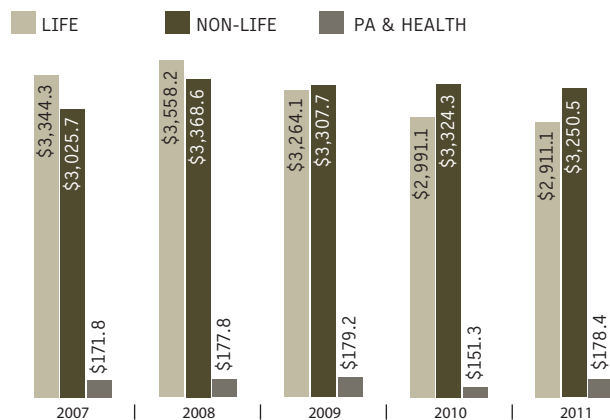
PROFILE: GREECE

\$3.25
BILLION

The property/casualty insurance market in Greece has been in decline, reflecting the severe slowdown in national economic activity. Premiums slid almost 2.2% to \$3.25 billion in 2011, the latest year for which figures are available. The market is dominated by a handful of companies and is otherwise highly fragmented, with many insurers having a market shares of less than 1%. A decade ago, there were 145 insurance companies.

◀ 2011 P/C premiums

MARKET GROWTH IN MILLIONS OF U.S. DOLLARS



COMPULSORY INSURANCE

Several classes of insurance are compulsory, including:

- Workers compensation
- Environmental liability
- Third-party motor liability
- Third-party liability for pleasure boats
- Railway operators liability
- Professional indemnity for insurance brokers

NONADMITTED INSURANCE

Insurance buyers in Greece can place their business with nonadmitted insurers, with the exception of third-party motor liability insurance and professional indemnity coverage for insurance brokers. Premiums paid to nonadmitted insurers are not regarded as a business expense and, therefore, cannot be deducted for corporate tax purposes.

INTERMEDIARIES

Insurance brokers and agents have to be registered with the supervisory authority. Under freedom of services regulations, they then can do business in any European Union nation. However, brokers involved in nonadmitted placements do not have to be registered, and these brokers do not have to warn buyers that their insurer is not subject to local supervision.

MARKET PENETRATION

Greek insurance market premiums as a percentage of gross domestic product, at 2.12%, is average compared with other countries in the region.

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



POPULATION

10.8 million

AREA

50,949 square miles

P/C MARKET WORLD RANKING

37

2012 GDP (PROJECTED)

-7.1%

MARKET DEVELOPMENTS

UPDATED MARCH 2013

- In August 2012, insurance regulators reduced to 60 days the time brokers have to pay a premium to an insurer after collecting it from a policyholder. Previously, brokers had up to 90 days to make a premium payment.
- In addition, in August 2012, the Bank of Greece proposed expanding the scope of credit agency Tiresias to cover agents and brokers in a move to counter the longer time that brokers have been holding premiums.
- In May 2012, Greece prepared draft legislation dealing with the implementation of Solvency II.
- In March 2012, the Greek government revised the legal liability limits for use of motor vehicles based on a directive from the European Commission. These limits affect personal injuries and property damage from auto accidents.

ing a major advance in cross-strait ties, the financial regulator said. Jennifer Wang, a vice-chairwoman of the Financial Supervisory Commission, said the proposed change would top the agenda at a meeting between FSC officials and Shang Fulin, chairman of the China Banking Regulatory Commission. "The current limit is 5%. What we are planning to do is to raise that," Ms. Wang said in an interview. She declined to say what limit might be allowed. "By investing in each other's insurers, banks and asset managers, we hope to boost the size of Taiwan's financial markets.

Reuters

Allianz strikes \$883M deal to be top Turkish insurer

Europe's biggest insurer Allianz has secured the top spot in

Turkey's fast-growing insurance market by agreeing to buy Yapi Kredi Sigorta for about 1.6 billion Turkish lira (\$882 million). The German group said it was buying a 93.9% stake in the Turkish insurer from local lender Yapi Kredi Bank. After closure of that deal, it will make a mandatory tender offer for the remaining 6.1% stake. Turkey's growing population and rising standard of living have prompted a sharp increase in demand for car, property, health and life insurance, but price competition among insurers is intense and many have suffered losses in recent years. JP Morgan analysts said the price implied a much higher valuation than that paid by German insurer Talanx for deals in Poland last year, though they noted this could reflect a much faster-growing insurance market in Turkey. The acquisition is Allianz's largest deal since 2007 and uses up over two-thirds of the

roughly €1 billion (\$1.3 billion) the group has earmarked as an annual takeover budget.

Reuters

E.U.-U.S. to cooperate on reinsurance, collateral

The steering committee of the E.U.-U.S. Insurance Dialogue Project has agreed to a work plan for the 2013-2017 period that includes agreement to work closely on issues of reinsurance and insurer collateral requirements, among other things. The project, which began work last year, is a joint undertaking between the European Commission, the European Insurance and Occupational Pensions Authority, the National Association of Insurance Commissioners and the Federal Insurance Office, and is intended to promote mutual understanding and

enhanced cooperation between Europe and the United States on insurance matters. At a March meeting in Basel, Switzerland, the steering committee agreed to focus on professional secrecy and confidentiality, as well as reinsurance and collateral requirements, and to begin work on other matters including initiatives on solvency and capital requirements and group supervision.

Willis acquires Prime Professions

Willis Group Holdings P.L.C. has acquired London-based professional indemnity broker Prime Professions Ltd. Terms of the deal were not disclosed. Completion of the deal is subject to regulatory approval, Willis said in a statement. On completion of the deal, Martin Ellis, director and head of

risk solutions at Prime Professions, will lead Willis' U.K. professional indemnity practice. Prime Professions is a Lloyd's of London-accredited brokerage that was established in 2006. Its clients range from global organizations to small firms across a wide range of industries including accountancy, financial services, legal, property and construction, Willis said in the statement.

India plans reinsurance pool for Iran oil refiners

■ India plans to set up a fund of up to 20 billion rupees (\$368.4 million) to back local insurers in offering cover to refiners who process Iranian crude, three government sources said, as sanctions discourage global reinsurers from taking on the risk. The money will come from the premiums normally paid by insurers for reinsurance cover, said the sources, who requested anonymity. They said the fund will be run by state-run reinsurer General Insurance Corp. of India and will get an annual contribution of up to 20 billion rupees from Indian insurers and the oil ministry. "This is not a sovereign guarantee. It is just that we are looking to use the premium money for reinsurance," said one of the three sources with direct knowledge of the matter. India, which relies on imports for 80% of its crude needs, has cut purchases from Iran along with China, South Korea and Japan in order to secure a waiver from western sanctions aimed at curbing Tehran's nuclear program.

Reuters

Swiss Re to get \$610M in Berkshire settlement

■ Swiss Re Ltd. has settled a dispute with Berkshire Hathaway Inc. over a 2010 life reinsurance deal and will receive a \$610 million payment from U.S. tycoon Warren Buffett's company, the Swiss reinsurer said. Under the original January 2010 deal, Swiss Re agreed to transfer a U.S. life reinsurance contract to Berkshire for 1.3 billion Swiss francs (\$1.38 billion), allowing it to reinvest capital more profitably elsewhere. That allowed Mr. Buffett's Berkshire to pocket premiums payable under the contract, while taking responsibility for paying up to \$1.5 billion in potential claims. Swiss Re said in a statement that Berkshire's exposure to potential claims will be reduced to \$1.05 billion from \$1.5 billion and that the deal is expected to provide Swiss Re with an initial first-quarter gain of \$100 million.

Reuters

Royal Bank of Scotland faces \$6B investor action

■ A group of shareholders in the Royal Bank of Scotland P.L.C. is suing the lender and four former directors for losses they claim they incurred when the bank succumbed to a state bailout in 2008. The RBoS Shareholders Action Group has issued proceedings against RBS, Fred Goodwin, Tom

McKillop, Johnny Cameron and Guy Whittaker, in the chancery division of Britain's High Court to recover billions of pounds lost on the value of their shares in the run up to the bank's £45 billion (\$68.41 billion) taxpayer rescue. The final claim for compensation could be as much as £4 billion (\$6.08 billion), the shareholder group said. The group alleges that RBS misled investors about its financial health during a £12 billion (\$18.24 billion) share sale con-

ducted six months before its October 2008 bailout. It also says that the bank and its former employees omitted to include critical information in the prospectus.

Reuters

Fianzas Monterrey goes to Ace for \$293M

■ Ace Ltd. has completed the acquisition of Mexican insurer

Fianzas Monterrey from New York Life Insurance Co. for about \$293 million in cash, Zurich-based Ace announced Monday. Mexico City-based Fianzas Monterrey is Mexico's second-largest surety lines writer, and the third-largest in Latin America, offering administrative performance bonds primarily to construction and industrial clients, said Ace in a statement announcing the transaction. The company has 25 branch offices in Mexico.

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EDITORIAL

EMPLOYERS CAN STEM OPIOID ABUSE

Regulatory and legislative efforts to curb opioid abuse in California should be welcomed by employers in the state and elsewhere. Misuse of powerful prescription painkillers, whether intentionally or accidentally, is a huge and growing problem in the United States.

Opioid overdoses caused more than 16,000 deaths in 2010, the latest year for which data is available, and about 12 million people are known to use prescription painkillers for non-medical reasons.

In addition to the obvious human tragedies, opioid addiction is also a significant financial problem for employers, health insurers and workers compensation insurers. Nonmedical use of prescription painkillers costs health insurers more than \$70 billion a year, and narcotics prescriptions account for one-fourth of all workers comp prescription drug costs.

As we report on page 1, California is following Washington state's lead and is devising treatment guidelines to try and halt overprescription and abuse of opioids.

The guidelines that Washington and other states adopted included limiting opioid prescriptions for a maximum of six weeks after surgery or injury and using nonopioid painkillers as a preliminary pain management measure in nonacute cases.

This would be a good first step, but regulatory or legislative efforts can only go so far.

Employers also need to tackle the issue of opioid abuse among workers and plan members. And workers compensation managers in particular are well-positioned to intervene in such cases.

Ensuring that patients are treated early and effectively, monitoring and managing opioid prescriptions, using predictive modeling to tag potentially severe claims, physician peer reviews, drug testing and screening of workers prescribed the drugs, post-addiction help and phasing workers back to their jobs can all be part of a risk management plan to tackle the issue.

These are all actions that employers can and should take independently without waiting for lawmakers in any state to act.

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SCHILLERSTROM



COMMENTARY

HIGH COURT RULING ON GENERICS COULD HAVE BIG IMPACT ON COMP

A legal dispute concerning generic drug deals that the U.S. Supreme Court is weighing has significant cost implications for employers' spend on workers compensation medical benefits and health insurance coverage for employees.

Actually, how the high court rules in *Federal Trade Commission v. Watson Pharmaceuticals Inc. et al.* will impact the health care spend of most Americans.

The case involves the legality of payments by brand-name drug manufacturers to generic competitors for temporarily keeping cheaper medications off the market. The payments stem from patent dispute settlements.

Such arrangements have been called "reverse payments" or "pay-for-delay" deals.

The Federal Trade Commission argued before the Supreme Court in March that a payment by Solvay Pharmaceuticals Inc., which holds a patent for testosterone gel AndroGel, to Actavis Inc. violates antitrust laws and hurts consumers.

Thirty-one states filed an amicus brief before the Supreme Court, arguing that pay-for-delay agreements cause drug purchasers nationwide to spend \$3.5 billion more in annual costs than they would pay if the deals did not occur. The states say their residents and programs such as Medicaid pay those costs.

Business interests have lined up on both sides.

The National Association of Manufacturers argued in a brief that a court ruling favoring the FTC would discourage companies from conducting expensive research and would damage the U.S. economy.

America's Health Insurance Plans, in contrast, argued in a brief that health insurance plans and their



**ROBERTO
CENICERÓS**
SENIOR EDITOR

customers pay for the lion's share of the \$3.5 billion additional pharmaceutical costs generated by pay-for-delay agreements.

AHIP's argument speaks to costs that get pushed onto employer health plans and employees participating in those plans.

But there is also a workers comp impact.

Controlling amounts spent on pharmaceuticals is a

common practice employers and their service providers apply to reduce overall workers comp claims costs. They do that by encouraging injured employees and their doctors to consume or prescribe generics when available.

Step therapy, for example, is a cost-containment strategy common in group health and workers comp. The idea relies on using claims analysis, utilization review and other tools to encourage prescribing the most cost-effective drugs first and then advancing to more expensive therapies only when necessary.

Because of such strategies, pharmacy benefit manager Express Scripts Inc. reports that in 2012, 76% of drugs dispensed to its customers' workers comp claimants were generics. Meanwhile, there is an 80% price difference between generics and brand drugs, according to based St. Louis-based Express Scripts.

But those strategies work only when generics are available.

SPECIAL REPORT

RMIS/Claims Technology

New Products and Features

Pros and cons of bundled RMIS vs. unbundled systems

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Risk managers make limited use of predictive analytics

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RMIS ZEROES IN ON COMPLIANCE

Federal and state regulatory changes expand employer reporting requirements

BY BILL KENEALY

Claims management and risk management information system tools have changed as the challenges risk managers face have grown in number and complexity.

One area of increasing emphasis for risk managers and RMIS providers is compliance risk.

Tom Wimberly, Atlanta-based vice president of product management and product marketing at Aon eSolutions, said there is a natural overlap between compliance and RMIS.

"The information that you need to be compliant is something that a RMIS would typically have," Mr. Wimberly said. "What the RMIS will do is put a bow around it."

While risk managers need to be mindful of federal and state rules and international standards, the privacy, security and data breach notification rules in the Health Insurance Portability and Accountability Act are among the most stringent.

To make sure its products are HIPAA-compliant, Mr. Wimberly said Aon eSolutions itself received accreditation from Washington-based health care accrediting organization URAC.

"We needed to have the right processes in place to make sure we were handling data correctly for our clients," he said. The efforts included encrypting data in transit and at rest in its new data center and implementing strict policies on who handles data and when. "HIPAA is so severe in the way you must protect data that it laid the groundwork for

compliance with other regulations," he said.

Aside from federal laws and rules, 10 states are implementing major changes this year on workers compensation injury reporting requirements, said Pat Cannon, regulatory reporting solutions client manager for San Diego-based Mitchell International Inc.

The state changes require "major planning and changes by the workers comp industry," Mr. Cannon said. "Claim administrators need to get prepared for many changes with

first report of injury and subsequent report of injury to be in compliance with electronic data interchange reporting."

Compliance risk, along with features that address litigation management, loss forecasting and security management, have put more distance between RMIS and traditional claims management systems and moved RMIS software toward governance risk and related compliance tools.

"In the last five years, the technology has

totally changed," said Emily Cummins, director of tax and risk management for the National Rifle Association, and a member of the Technology Advisory Council for the Risk & Insurance Management Society Inc.

Lisanne Sison, director of enterprise risk management for Sacramento, Calif.-based Bickmore & Associates Inc., said that the accountability and monitoring aspects of RMIS help support successful enterprise risk management initiatives. While compliance efforts are by nature reactive, a RMIS can help an organization be more proactive, strategic and preventative, she said.

"RMIS is not just a reporting tool slapped on top of the claims systems anymore," Ms. Sison said. "RMIS is becoming a business intelligence tool to give context and meaning to risks outside the insurable risk area. It's hard to have a robust ERM (enterprise risk management) program without the tracking that RMIS can provide."

"Claims don't generate themselves," she said. "It's other issues that drive those claims."

By enabling a risk manager to drill down into anomalies, a RMIS facilitates identifying and improving conditions that lead to losses. "A robust RMIS helps ensure that you're tracking things that can become catastrophic losses," she said.

Ms. Cummins agreed that as RMIS tools improve, they will become more useful in enterprise risk management.

"The revolution in the space is taking the technology beyond RMIS and making them into true ERM tools," she said.



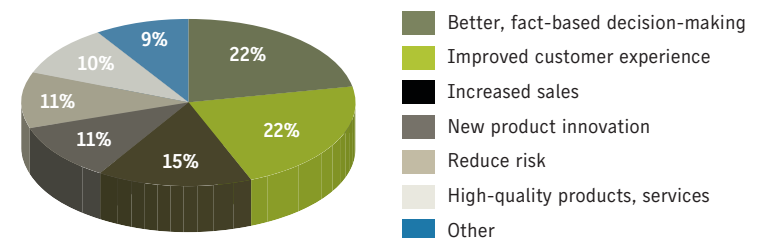
WHAT IS BIG DATA?

Some 2.5 quintillion bytes of data are created every day, 90% of that in the past two years. This data comes from sensors that gather climate information, posts to social media sites, digital pictures and videos, purchase transaction records, and cellphone GPS signals, to name a few.

Source: International Business Machines Corp.

THE BENEFITS

What tangible benefits do you hope to achieve through big data initiatives?



Source: NewVantage Partners L.L.C. 2012 study of C-level executives at Fortune 1000 companies and large federal agencies



DECIDING BETWEEN BUNDLED AND UNBUNDLED

Each RMIS approach brings advantages and disadvantages

BY BILL KENEALY

Companies have two major choices when considering adopting a risk management information system or moving to a new RMIS: bundled vs. unbundled systems.

RMIS systems — or data about risks an organization faces; controls to mitigate such risks; ways to finance those risks, including insurance; and ways to project potential losses — are bundled when provided by an insurer, broker or third-party administrator.

A bundled RMIS is offered at little or no additional cost to organizations beyond other services provided by the insurer, broker or third-party administrator.

An unbundled RMIS offers data portability in areas such as claims administration, exposure analysis and reporting. However, the cost

of such a RMIS is added to that of other systems.

“The trendsetters tend to be the unbundled vendors because they sell their products for a price,” said David A. Tweedy, senior consultant and director of RMIS solutions at Sacramento, Calif.-based Bickmore & Associates Inc. “The bundled providers offer their wares as an add-on to an existing service.”

While unbundled RMIS have certain advantages, bundled RMIS “have access to vast amounts of claims data for analytics,” Mr. Tweedy said. “This is a huge treasure.”

Many unbundled systems use the subscription-based pricing common to cloud computing. Instead of a fixed initial price, the price of cloud-based RMIS is spread out over time and varies according to usage. Moreover,

BUNDLED RMIS PROVIDERS

- American International Group Inc. (IntelliRisk, IntelliRisk Advanced)
- Cannon Cochran Management Services Inc. (ICE)
- Chubb Corp. (RMIS Dimensions, Lost History Analyze, Claimview)
- CNA Financial Corp. (Clearview)
- ESIS Inc., a unit of Ace USA Inc. (Global RiskAdvantage)
- Gallagher Bassett Services Inc. (Risx-Facs, MountainView Software Corp.)
- The Hartford Financial Services Group Inc. (@venture)
- Liberty Mutual Holding Co. Inc. (RiskTrac)
- Risk Sciences Group (Dmitri Suite)
- Sedgwick Claims Management Services Inc. (viaOne)
- The Travelers Cos. Inc. (e-Carma)
- Zurich Services Corp. (Zurich RiskIntelligence)

risk managers will need to familiarize themselves with other terms and conditions regarding data security, data ownership and disaster recovery spelled out in service level agreements signed with their provider.

“We happen to own a cloud company, so that helped me understand the Origami (Risk L.L.C.)

service agreements,” said Julie A. Bean, risk manager for Elmhurst, Ill.-based The Duchossois Group Inc. Duchossois Group’s companies include residential security, lighting commercial control and automation as well as gaming operations.

A limited number of providers offer bundled and unbundled

RMIS, such as Atlanta-based Risk Sciences Group Inc., which announced a strategic restructuring in January that put the company’s operations into bundled and unbundled divisions. The bundled operations tap resources of parent Crawford & Co. as well as sister company Broadspire Services Inc., a TPA.

“Bundled business allows us to leverage the strengths of our collective organizations to offer comprehensive products,” said Mark Stergio, CEO and senior vice president of Risk Sciences. “These partnerships also expose our products to what some may consider nontraditional RMIS markets.”

In the unbundled RMIS market, the emphasis is on customer service and helping risk managers

Continued on next page

Continued from previous page

consolidate data, Mr. Stergio said.

“Unbundled clients tend to be more sophisticated and demanding,” he said. “We can customize any screen for a client by configuring it as opposed to building from scratch.”

Bob Petrie, president of Glencoe, Ill.-based unbundled RMIS provider Origami, agreed that the ability to customize the data delivered and how it looks for a specific client’s needs is vital to unbundled systems.

“Unbundled systems can support the needs of many client users — each with their own rights to view, edit, delete or add data — and provide granular security settings to support widespread secure use by client and client vendor employees,” Mr. Petrie said.

Moreover, unbundled RMIS tend to support integrating data from several sources and provide an integrated interface to claims data to support areas such as electronic data interchange compliance and utilization review, he said.

Mr. Petrie said the ownership of risk data also is important to risk managers.

“The processes and risk analysis performed by risk management departments may outlive any single relationship with a broker, TPA or carrier,” he said.

Reporting functionality

Another area of emphasis for unbundled RMIS providers has been on reporting functionality. For example, a risk manager with far-flung manufacturing operations could email a templated questionnaire in Origami’s RMIS that guides users to a secure website and collects and analyzes the responses.

“Reporting and graphing capabilities in bundled RMIS systems vary considerably, but even the most advanced bundled systems have far fewer features and capabilities than unbundled RMIS systems do for risk analysis and reporting,” Mr. Petrie said.

Bundled RMIS providers also say their systems are evolving to meet the needs of risk managers in areas such as reporting.

Mike Strietelmeier, vice president of RMIS at The Travelers Cos. Inc., said more robust reporting dashboards, such as its e-Carma bundled RMIS, are an example of systems that have evolved from claims tools to true risk management tools.

“Our dashboards have enabled us to combine simplicity with powerful analysis to provide a straightforward and easy-to-use

platform to deliver the information our customers seek to better manage their risks,” he said. “As risk management focuses have evolved from predominantly claim management to the total cost of risk, we have designed e-Carma to support the full range of risk management responsibilities that our customers have.”

UNBUNDLED RMIS PROVIDERS

- Aon eSolutions (RiskConsole, iVOS)
- App Technologies L.L.C. (Incident Management System, Electronic First Report, Go Compliance)
- Blackburn Group Inc. (RiskPro)
- Brightwork Inc. (Alyce Claims Management System)
- Cantor & Co. (RiskMap)
- Computer Sciences Corp.

(Riskmaster Accelerator)

- CS Stars L.L.C. (Stars Enterprise)
- David Corp. (Renaissance, NavRisk)
- Delphi Technology Inc. (Oasis)
- Effisoft (USA) Inc. (WebRisk)
- Ebix Inc. (RiskEnvision)
- Emerson Software Solutions Inc. (eRIMS2)
- Fairfax Financial Holdings Inc. (MFX ClaimsAssure)
- Inform Applications Inc. (Inform

RMIS)

- JW Software Inc. (FileHandler)
- Origami Risk L.L.C. (Origami Risk)
- P&C Insurance Systems Inc. (ClaimsVision)
- Riskconnect Inc. (Riskconnect RMIS)
- Risk Sciences Group Inc. (Dmitri Suite)
- Risk Technologies Inc. (RiskVision)
- WLT Software Inc. (MediClaims, CompClaims)



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SENTRY
INSURANCE

RISK MANAGEMENT INFORMATION SYSTEMS EVOLVE TO INCORPORATE NEW TECHNOLOGY

Cloud storage helps scale capacity to meet customer demands

BY BILL KENEALY

Though a distinct subset of the larger enterprise software space, risk management information systems available today reflect trends in technology ranging from cloud computing to configurability.

"Risk management is really quite a small software market," said Bob Morrell, co-founder and CEO of Kennesaw, Ga.-based RMIS provider Riskconnect Inc. "It's a microcosm that is subject to the whims of the broader world."

The relative lack of scale of the RMIS market lends itself to partnerships with large cloud computing providers.

For example, Riskconnect utilizes the platform of San Francisco-based enterprise cloud computing provider Salesforce.com Inc. "The newer-model RMIS providers are taking advantage of infrastructure and capabilities that were never available before," Mr. Morrell said. "This allows us to bring a lot of technology capability into the narrow RMIS marketplace."

He said the research and development budgets of the large cloud providers likely are as large as the RMIS market as whole. "Building on a platform that has almost \$500 million investment in R&D, gives us a lot of advantages."

Bob Petrie, president of Origami Risk L.L.C., said the Glencoe, Ill.-based company outsources hosting of its offerings to Amazon Web Services, the cloud computing arm of Seattle-based internet giant Amazon.com Inc.

"For RMIS providers, cloud is a pure outsourcing play," Mr. Petrie said. "It allows us to do what we do best, which is building software and providing service."

Another benefit to using a cloud-based delivery is meeting spikes in

COMPARING CLOUD AND ON-PREMISE SOFTWARE

Cloud-based software	On-premise software
<ul style="list-style-type: none"> Upgrades: Continuous, small upgrades Versions: Unified code base Pricing: Little upfront investment with payment based on usage Storage: Data stored remotely on provider or third-party servers Ownership: License agreement normally enables using the software Personalization: Users can configure software without accessing source code Upkeep: Limited effect on internal information technology resources 	<ul style="list-style-type: none"> Upgrades: Major releases, service packs Versions: Multiple Pricing: Upfront purchase cost, possible annual maintenance or subscription fees Storage: Data stored on-site either on user desktop or company servers Ownership: License agreements normally enable owning the software Personalization: Users can customize software with access to source code Upkeep: Largely dependent on internal IT resources

demand, such as end-of-quarter financial reporting.

"Cloud is particularly useful in a RMIS business because the production in a RMIS is inconsistent throughout the year," Mr. Petrie said. "We can scale our capacity to meet the demands of our users."

A cloud-based RMIS also pays dividends in redundancy and disaster recovery, as cloud providers can mirror data across geographically diverse data centers.

"We have constructed our architecture so that transactions are written synchronously to both our production and our mirrored environment," Mr. Petrie said.

Coupled with rapid delivery of software updates, cloud environments enable seamless upgrades

and give RMIS providers the ability to roll out new features rapidly. Mr. Petrie said Origami adds new features on average every four to six weeks.

"If you have a solution for a client's business problem, there is no good excuse for it to sit on a shelf," he said. "Larger releases contain a greater uncertainty and a greater need for testing."

Julie A. Bean, risk manager for Elmhurst, Ill.-based The Duchossois Group Inc., said the flexibility of a cloud-based delivery model was one appealing factor when the company recently chose Origami's RMIS offering.

Ms. Bean said the software-as-a-service model enables RMIS providers to easily elicit and incor-

porate user ideas.

"I like the fact that if another client asks for some kind of enhancement that they would like to see, that it comes out six weeks later and everybody benefits from it," Ms. Bean said. "This plays a huge part in the usability and flexibility of the system."

The need for greater flexibility in a RMIS was necessary given changes in the business of Duchossois Group, which owns companies in sectors such as residential security, lighting commercial control and automation as well as race-track and other gaming operations.

"We have had a lot of changes in our organization," she said. "We went from a heavily manufacturing business model to a more con-

tract manufacturing business model, so the claim activity and risk profile completely changed."

Another key tenet of cloud computing is configurability, which enables users to shape the software to their needs without changing the underlying code.

Lorena Torres, risk consultant for Palo Alto, Calif.-based Hewlett-Packard Co., said the flexibility in the RMIS tool from Origami enables her to keep the interface simplified to her liking. "If there are (data) fields we don't use, we don't see them," Ms. Torres said. "So visually, it looks a lot cleaner."

A configurable interface is paramount, she said. "It's about ease of use more than anything ... RMIS need to be intuitive."

THE CLOUD MARKET



Companies that will move new applications to the cloud, according to a 2012 survey by Mimecast Services Ltd.



Estimated server workloads that will be virtualized by 2014 vs. 12% in 2008, according to Gartner.



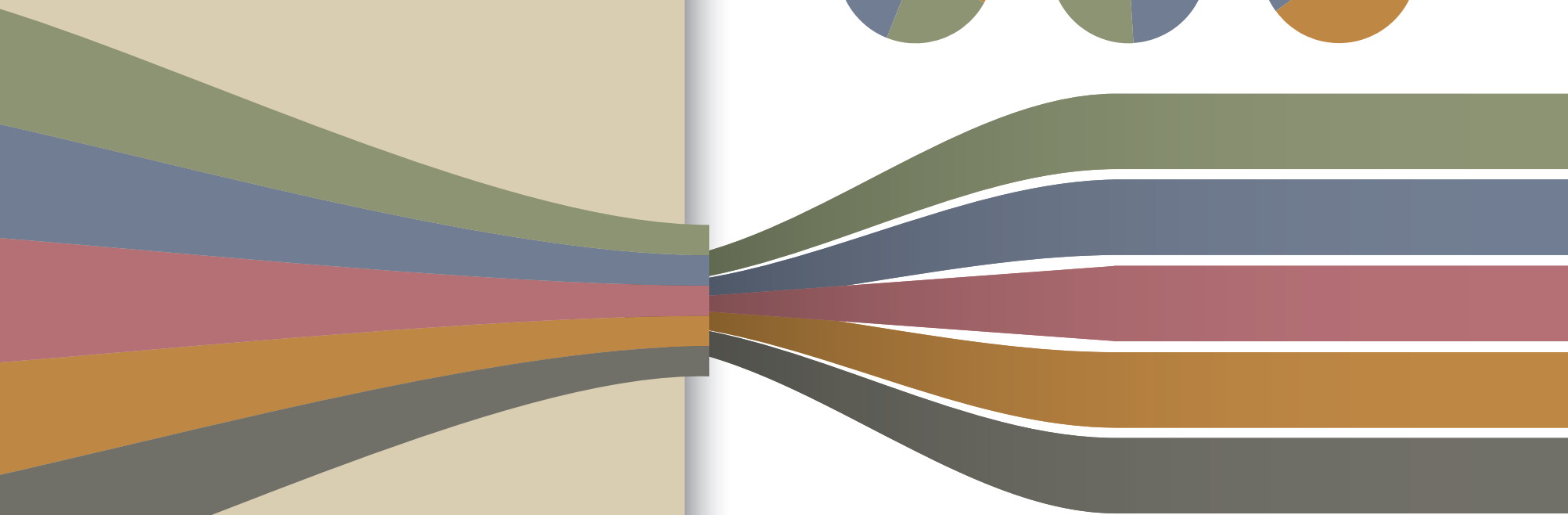
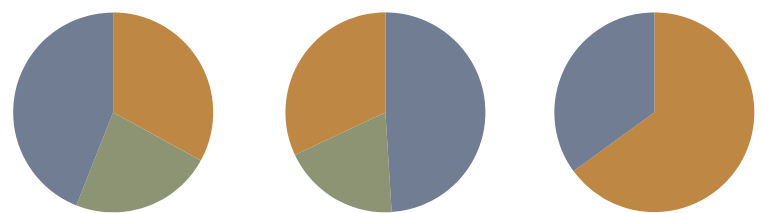
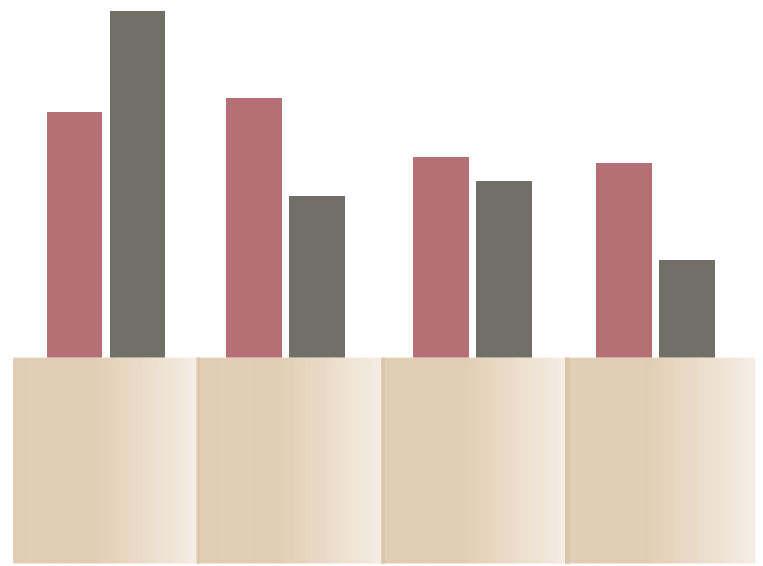
Financial services companies using the cloud in 2012, according to Gartner.



New commercial enterprise apps deployed on cloud platforms in 2012, according to International Data Corp.

RISK TECHNOLOGY INVESTMENT TRENDS

A Business Insurance
survey examines the roles
and trends of risk technology
buyers and maintainers.



Sponsored by:



RISK TECHNOLOGY

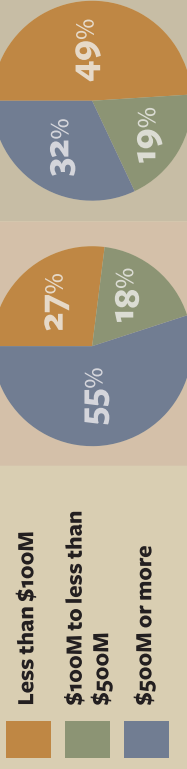
INVESTMENT TRENDS

BUYERS

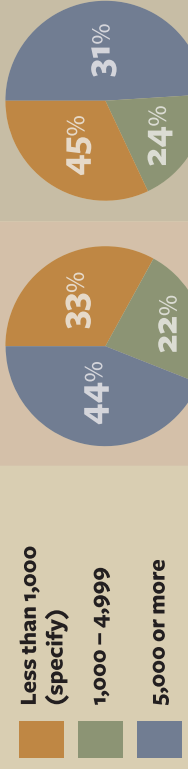
MAINTAINERS

RISK MANAGEMENT TECHNOLOGY BUYERS ARE MORE LIKELY TO BE LARGE PUBLIC FIRMS.

Total annual global revenue in 2012 (U.S. and outside U.S.)

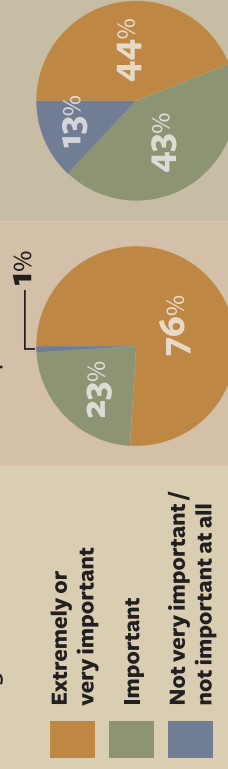


Total number of employees (including full- and part-time employees within and outside the U.S.)

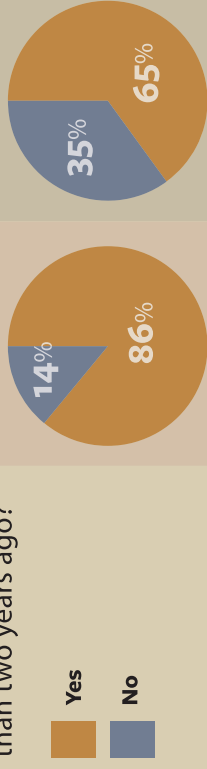


RISK MANAGEMENT, IMPROVING INFORMATION AND PROCESSES ARE TOP PRIORITIES.

How important is it for your company to improve risk management information and processes?



Is risk management a higher priority for your company today than two years ago?



COLOR KEY

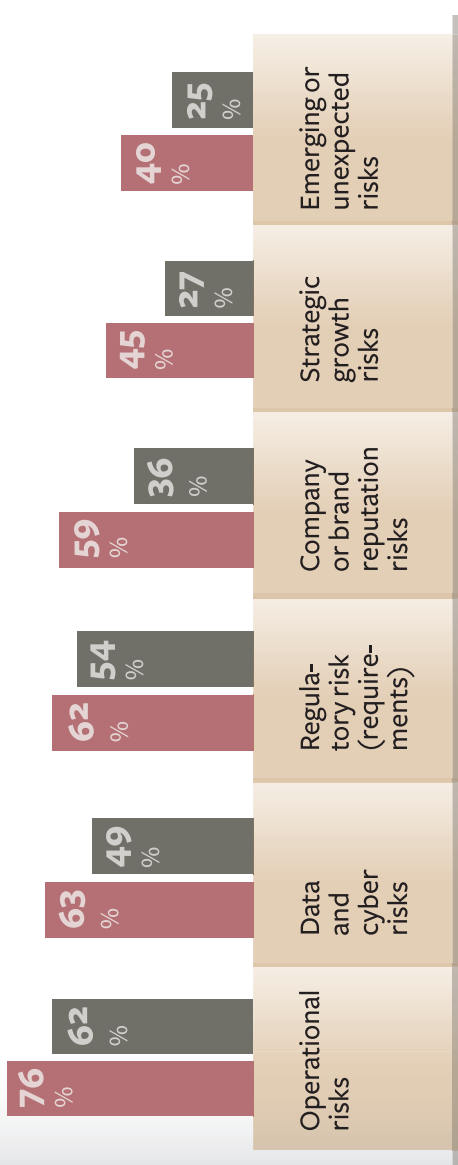


What types of companies are most likely to invest in risk technology in the near future?

Business Insurance in February and March 2013 conducted a survey of 473 decision-makers who actively participate in

RISK MANAGEMENT TECHNOLOGY BUYERS ARE MORE LIKELY TO MEASURE SPECIFIC RISKS.

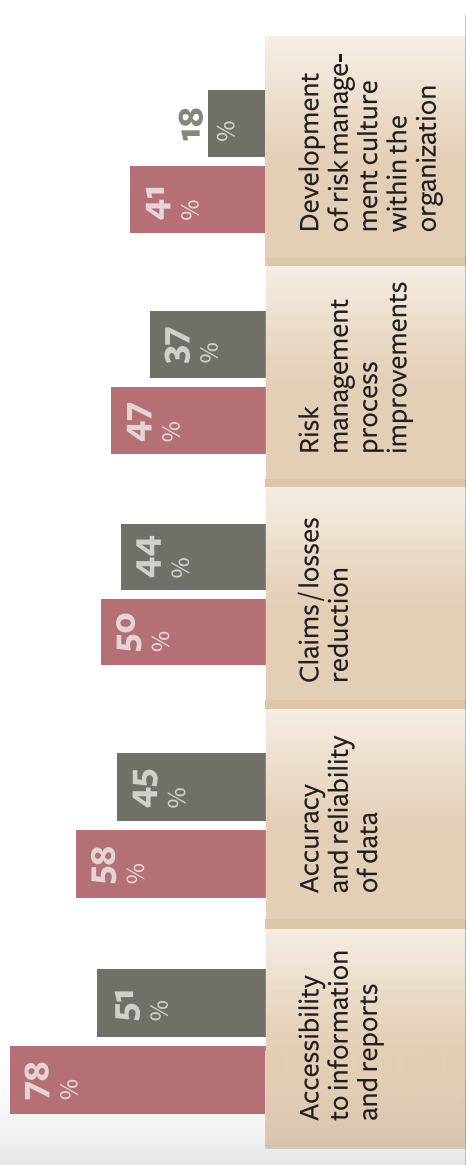
Which of the following types of risks are currently measured in your organization?



NOTE: Other types of risks were also measured, but there were no significant differences between the two groups.

RISK MANAGEMENT TECHNOLOGY BUYERS PUT HIGH VALUE ON ACCESSIBILITY TO DATA.

From the following list of potential benefits derived from using risk management software/technology; please select the five most important to you/your company.



NOTE: Benefits with no significant differences between the groups and/or low percentages are not included.

BUYERS SAY CURRENT RISK MANAGEMENT TECHNOLOGY HAS HELPED WITH GOALS.

How much do the current risk technology capabilities help to achieve the following goals?

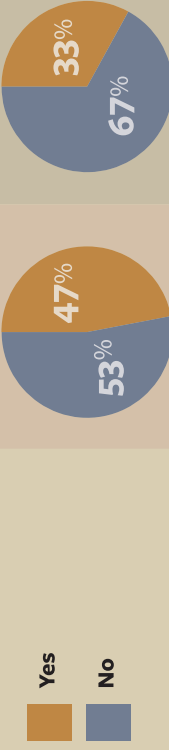


HALF OF FIRMS LIKELY TO BUY RISK TECHNOLOGY HAVE DEFINED RISK APPETITE.

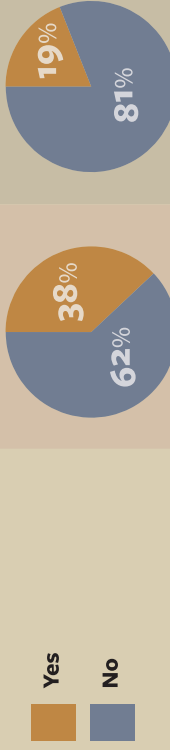
Does your organization have a risk profile?



Has your organization formally defined the enterprise's risk appetite and risk tolerance levels?

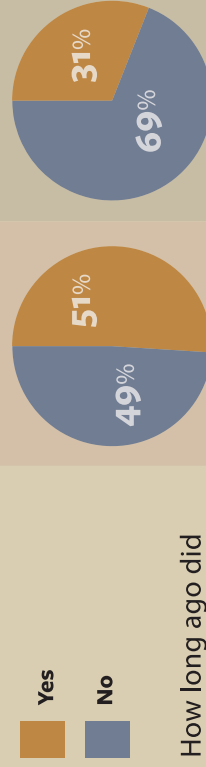


Does your organization have a formal mechanism for measuring risk management return on investment?

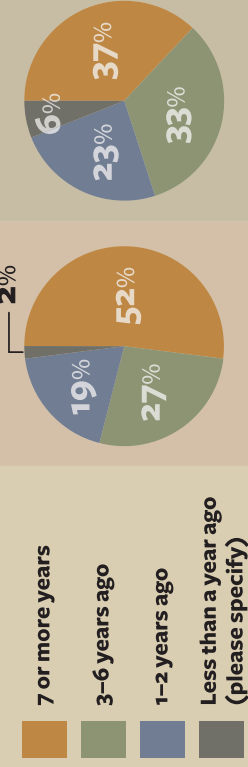


RISK MANAGEMENT TECHNOLOGY BUYERS ARE LONG-TERM USERS.

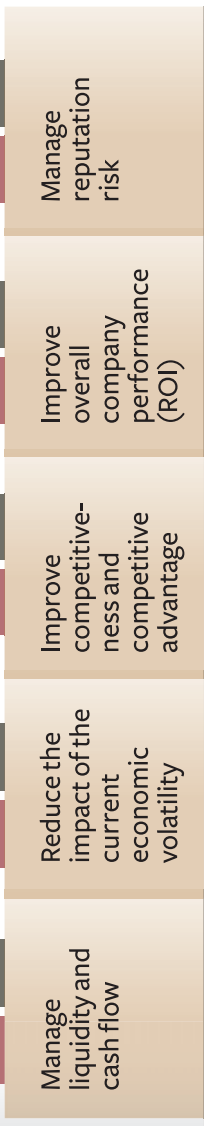
Does your company currently use a commercial software / online platform to help in the management of risk?



How long ago did your company start using a risk management software or online platform?



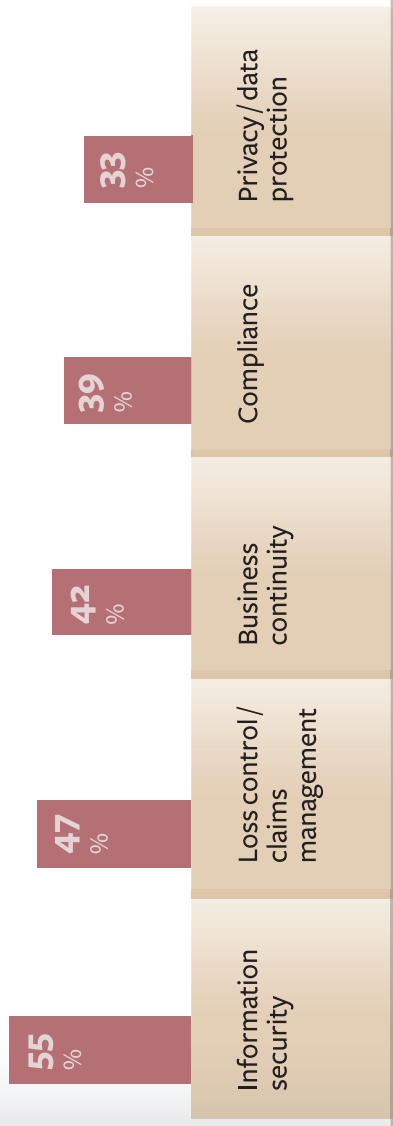
the risk management decisions of their company. From this study, two distinctive groups emerged with respect to future investments in technology for risk management: future risk technology buyers, 44% (n=208), defined as those planning to increase their investment in risk technology within the next 12 to 24 months; and risk technology maintainers, 50% (n=265), defined as those who are not planning to increase their investment in risk technology.



NOTE: Thirteen goals were measured; those with no significant differences between the groups are not included.

FUTURE RISK MANAGEMENT TECHNOLOGY INVESTMENT IS LIKELY FOR:

In your opinion, in which areas is it likely that your company will increase its risk technology investment within the next 12 to 18 months?



IN SUMMARY: AMONG RISK TECHNOLOGY BUYERS,

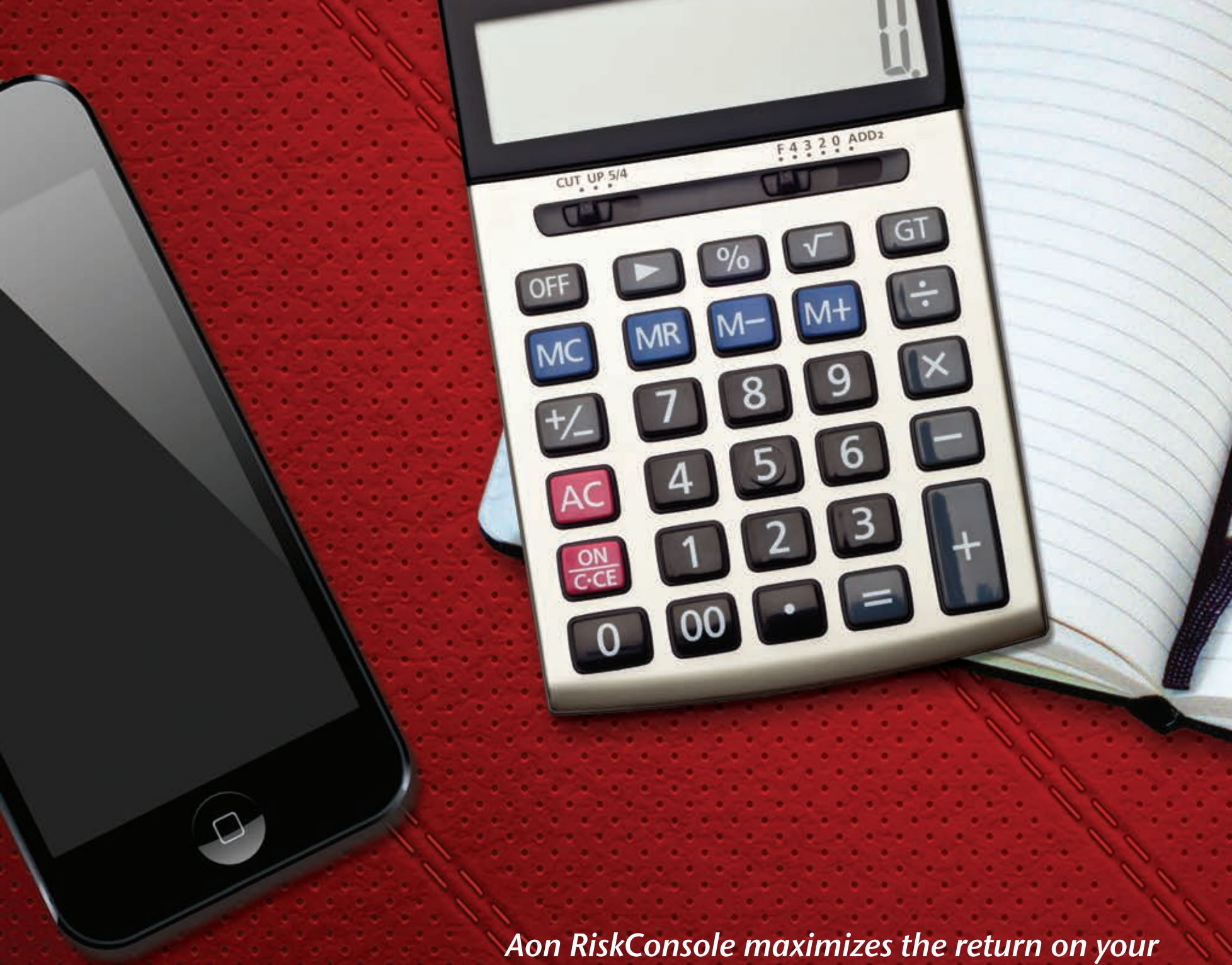
ACCESS TO BETTER INFORMATION DRIVES TECHNOLOGY USAGE;

BETTER ROI AND IMPROVED COMPETITIVENESS ARE SEEN AS KEY RISK TECHNOLOGY BENEFITS;

FUTURE INVESTMENTS ARE FOCUSED IN INFORMATION SECURITY AND LOSS CONTROL.

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Aon RiskConsole maximizes the return on your RMIS investment

Before investing the time and resources into a new risk management information system, it's important to calculate the return you should expect. It all comes down to optimizing total cost of risk. Aon RiskConsole empowers risk managers to access, harness and manage risk data to drive better decisions across the enterprise. It's what you'd expect from Aon, one of the most trusted names in risk and insurance and a leading RMIS provider since 1972.

Visit our easy-to-use, interactive online ROI calculator to learn how Aon RiskConsole can deliver value to your business.

aon-esolutions.com/calculate

BY BILL KENEALY

While risk management information systems are distinguished from claims management systems for their benchmarking and business intelligence functions, some experts see predictive modeling as the next phase in the RMIS evolution.

Predictive modeling feeds historical data through algorithms to devise a statistical model and gauge the probability of future events.

“We’ve always done retrospective looks at data and benchmarking,” said Russell Lindberg, vice president of sales and marketing at Kaysville, Utah-based RMIS provider MountainView Software Corp., a RMIS unit of Gallagher Bassett Services Inc. “I think the next big thing will be predictive modeling.”

Risk managers accustomed to running complex queries on sets of data should be able to move to predictive modeling, he said.

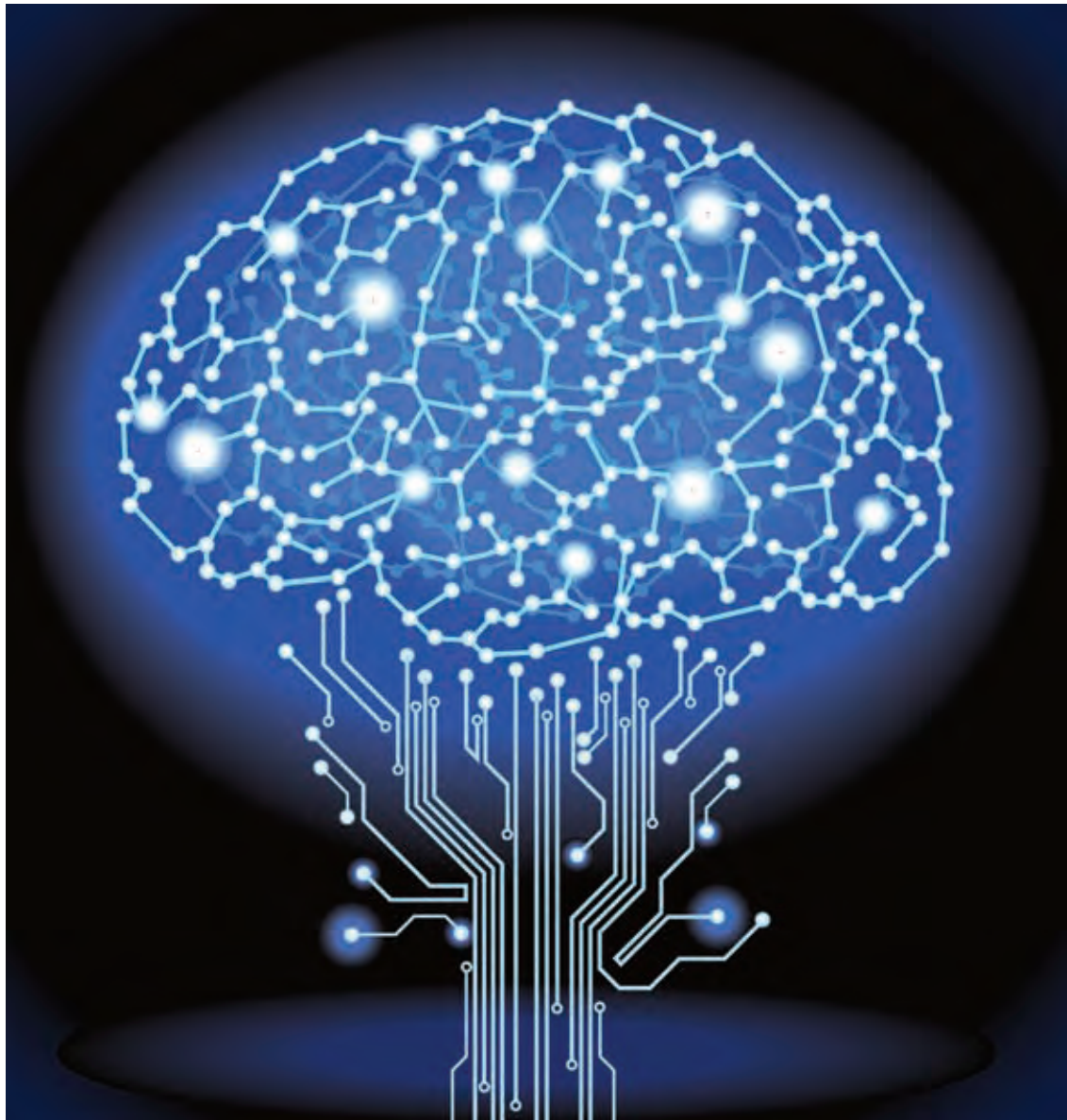
“It’s about looking at data in a more automated fashion and running queries against the data to find anomalies and trends and then pointing them out to a risk manager that they might now have the time, desire or experience to know where to look,” Mr. Lindberg said. “It’s already here in some forms, but it will continue to get better.”

While many insurers use predictive modeling in areas such as underwriting and detecting claims fraud, it has yet to find a foothold among risk managers, said Mark Stergio, CEO and senior vice president of Atlanta-based Risk Sciences Group Inc.

“You think about how long we have been talking as an industry about predictive analytics and not much has been done,” Mr. Stergio said. “However, I think predictive analytics will soon have a significant impact on the RMIS world and how claims are adjudicated.”

Mr. Stergio said the Crawford & Co. unit soon will implement a capability on its bundled RMIS to score claims on several characteristics.

“We are planning a full implementation of models that will predict the probability of litigation, fraud, subrogation and return-to-work estimates,” he said. “We will score every historical claim; and anytime there is a change on a claim, we will screen it again and



NEW ANALYTICS CAPABILITIES COME WITH NEXT RMIS STAGE

Potential for workers comp, claims management

see how that probability changes and how we can react to that.”

Bob Adams, director of industry software and solutions at Falls Church, Va.-based Computer Sciences Corp., said predictive mod-

els could be helpful in areas such as workers compensation, where a model could help spot claims most likely to benefit from early intervention.

“Risk managers are being

required to provide and focus at the granular level within claims, to be able to predict with good accuracy a high-cost claim the second it comes in the door,” Mr. Adams said. “Resources are often limited;

and by having this further analysis, it allows risk managers to focus on the smaller percentage of the claims that cost the highest and are most likely to grow out of control.”

Aaron Shapiro, executive vice president at Glencoe, Ill.-based RMIS provider Origami Risk L.L.C., said a RMIS that truly incorporates predictive analytics must enable users to push and pull data from several predictive or benchmarking sources.

“What we are hearing is that risk managers are looking for a way to hold their private data up against multiple predictive data sources,” Mr. Shapiro said. “Any one individual source is biased to a particular environment, so the claim handling procedures and processes of one particular TPA is not necessarily entirely indicative of the outcomes you ought to have on a particular set of claims.”

David P. Duden, Hartford, Conn.-based director of Deloitte Consulting L.L.P., said even with disparate data streams incorporated, use of predictive modeling via RMIS will require risk managers to craft “synthetic variables” from existing data.

For example, a risk manager could take internal data about a risk and combine that with data from public records location information culled from a geo-coding device and enter the data points into a model (see chart).

However, Mr. Duden warned that the level of statistical acumen needed to devise reliable predictive models likely is outside the wherewithal of even the most advanced risk management departments and RMIS providers.

“Building models and making them actionable is tough,” he said, noting that the “quants” adept at crafting advanced statistical modeling are in high demand in many industries and especially on Wall Street. “The people part is hardest,” he said.

So the broader use of predictive models in RMIS will take greater collaboration between RMIS providers and predictive modeling heavyweights such as International Business Machines Corp. and SAS Group. “These advanced analytic models require a huge infrastructure investment,” Mr. Duden said. “Even the largest broker-based RMIS providers likely don’t have the budget to do this alone.”

PREDICTIVE MODELING FLOW



Predictive model: Score claim
Action: Claim processed or assigned to further investigation

RIMS 2013

LOS ANGELES

Conference to focus on helping risk managers gain an edge

BY RODD ZOLKOS

With the theme Give Yourself an Edge, this year's annual conference and exhibition of the Risk & Insurance Management Society Inc. will offer a variety of new additions and twists on previous conference offerings, as RIMS looks to help its members become better risk managers.

This year's conference, from April 21 to 24 at the Los Angeles Convention Center, will include more than 100 educational sessions spanning 11 categories and offer a variety of networking opportunities, including the hundreds of providers of risk management products and services in the conference's exhibit hall.

"Our theme is Give Yourself an Edge, and that all is related to adding and creating value," said Mary Roth, executive director of New York-based RIMS. "Some of the things we added and incorporated this year are very exciting to us."

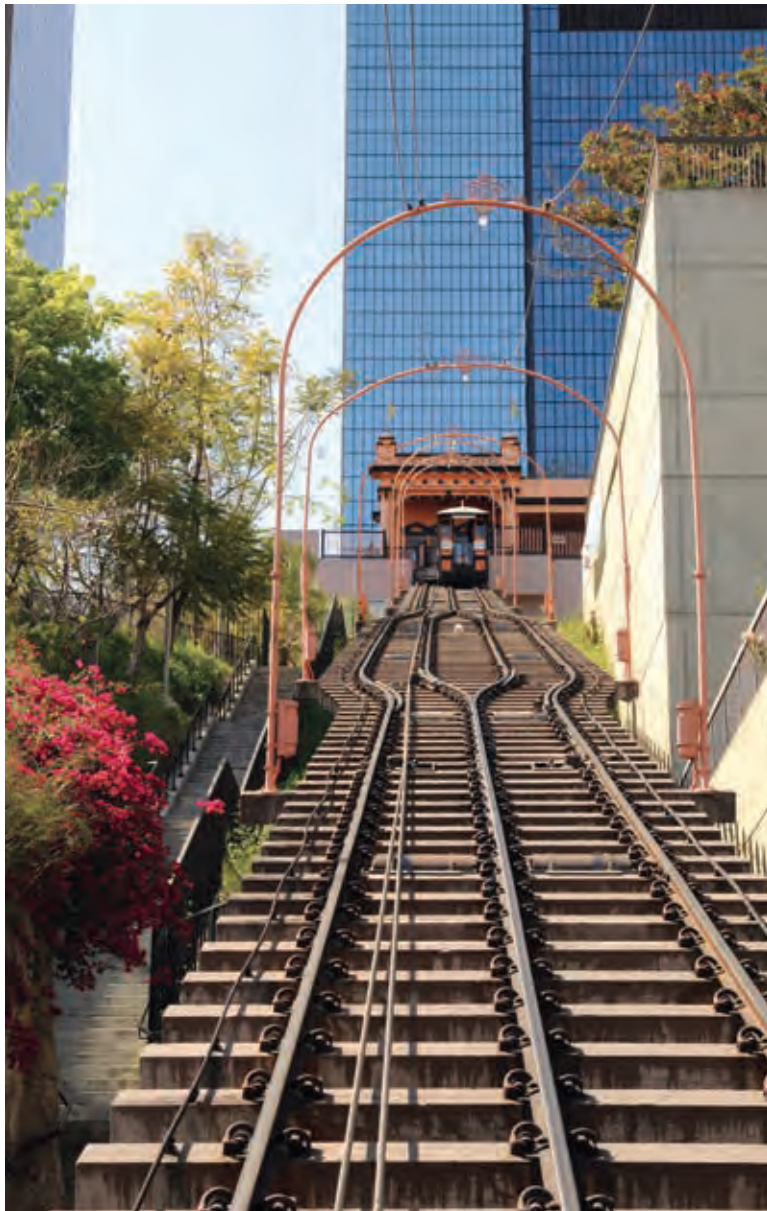
Among the changes to this year's RIMS conference agenda is the addition of Power Hours, a group of Tuesday morning educational sessions designed to give attendees a chance for a valuable learning experience in just 60 minutes rather than the usual longer sessions.

The conference also will include several Hot Topics sessions. Those sessions include "Surviving the Next Superstorm: Lessons Learned from Sandy," "Implementation of the Strengthening Medicare and Repaying Taxpayers Act (SMART Act)," "The Impact of Health Care Reform" and "When Your Worst Nightmare Becomes Reality — Addressing the Threat of Acts of Mass Violence."

Ms. Roth said a look at the sessions drawing considerable interest from conference-goers suggests many are interested in advanced risk management techniques. "From what I can see of people registering for the sessions, a lot of their focus is on strategic and enterprise risk management," she said.

Session categories at this year's conference include claims management, employment risks, enterprise risk management, finance, industry, insurance, international, legal legislation, loss control, risk management and strategic risk management. In addition, there will be sessions translated into Japanese and Spanish, in anticipation of foreign attendees drawn by the West Coast location.

"For the second year, we will be administering continuing education credits for certain designations. That's really grown since last year," Ms. Roth said. RIMS will administer continuing education credits for accountants, adjusters, agents, attorneys in certain states and peo-



This year's conference, April 21 to 24 at the Los Angeles Convention Center, will include more than 100 educational sessions spanning 11 categories.

ple in the human resources field. "We're very pleased to be able to offer that," the executive director said.

In the center of the conference's exhibit floor this year, the risk management society will offer various networking and educational options in its RIMS Hub.

"Within the hub, we'll have a Thought Leader Theater," Ms. Roth said. That area will feature ongoing 25-minute presentations from thought leaders addressing a variety of topics. Conference-goers who might not have time for a full session on a given topic will be able to gain valuable information on the subject in less than half an hour in the Thought Leader Theater.

Among the planned topics for Thought Leader Theater sessions are doing business in China, reputational risk, medical marijuana in the workplace, and social media risks and benefits.

The RIMS Hub also will feature a Smart Bar where attendees can get tips on engaging the risk community through social media. Experts will be providing advice on everything from how to use Twitter to taking maximum advantage of LinkedIn to best practices in Facebook use, the society's executive director said.

"We're bringing more of a social media presence within our hub as well as letting our members and attendees become more fluent in social media," Ms. Roth said. Details of RIMS Hub activities and schedules can be found at go.rims.org/Hub.

Sunday evening's opening reception from 5:30 to 7:30 p.m. will be held outdoors at the L.A. Live entertainment complex. Monday morning's general session will include a keynote presentation by optimist and author Simon Sinek, who will offer a presentation exploring themes from his book "Start with Why: How Great Leaders Inspire Everyone to Take Action." At the close of the conference Wednesday afternoon, RIMS will present a conference finale event with comedian and author Howie Mandel.

Midday Monday will feature the RIMS conference's annual awards luncheon. Tuesday's networking luncheon in the exhibit hall will provide industry specific seating areas, while a Tuesday afternoon Vine Vibe reception in the exhibit hall will offer a chance to enjoy California wines and cheeses, while mingling with

peers and exhibitors. Wednesday's Elevate luncheon in the exhibit hall will give attendees a chance to learn about Denver, site of the RIMS 2014 conference and exhibition.

Ms. Roth said she expects this year's Los Angeles conference to be well attended. "Registration is very strong," she said. In addition, she said the conference's exhibition hall should be on par with past years. "We'll have a full range of exhibitors in the exhibit hall," she said. "Everything is coming along very well."

HOT TOPICS SESSIONS

- Surviving the Next Superstorm: Lessons Learned from Sandy
- Implementation of the Strengthening Medicare and Repaying Taxpayers Act (SMART Act)
- The Impact of Health Care Reform
- When Your Worst Nightmare Becomes Reality — Addressing the Threat of Acts of Mass Violence

RIMS attendees to give back to L.A.-area preschoolers

2013 Community Service Day will benefit Child Care Resource Center

BY MIKE TSIKOUDAKIS

People in Los Angeles for the Risk & Insurance Management Society Inc.'s annual conference and exhibition will make time during their busy schedules to help the local community's preschool children.

Attendees will spend the day volunteering with Chatsworth, Calif.-based Child Care Resource Center during the RIMS Community Service Day on Sunday, April 21.

Since 1976, the center has worked to help parents, child care professionals, employers, and local communities in matters of early care and education. It serves 25,000 children and families in the Los Angeles area to promote higher standards in early child care and education.

The organization's Head Start program, which specifically targets 19 low-income area preschools, helps 1,500 children and their families identify special needs, makes sure they receive health and dental exams, and provides more than 100,000 nutritious meals every year, said Susan Montalvo, the center's communications manager.

This year's community service day will support the Head Start program's book drive, and volunteers will build story boards and puppet theaters for classrooms.

"One of the ways that they found was most successful in teaching their kids was through puppets," Ms. Montalvo said, noting that many of the Head Start families speak only Spanish.

The first such puppet theater was used in a preschool with great success, Ms. Montalvo said.

"We thought we would replicate that program through the rest of the centers," she said.

During the community service day, RIMS members will aim to build 19 puppet theaters for 19 classrooms in the Los Angeles area.

Volunteers also will help with the center's book drive, which has collected 350,000 new and gently used children's books that are reworked back into the community.

The story boards "increase the teacher's ability in the classroom that they wouldn't have time or the materials or the money to complete otherwise," Ms. Montalvo said.

This year's community service day, which continues a RIMS tradition since the 2007 conference in New Orleans, hits close to home for RIMS immediate past President Deborah Luthi.

"I am particularly excited about this because prior to being a risk manager, I was an art educator," Ms. Luthi said. "I truly believe in the value that there is in the arts for the children and using that as an educational tool."

RIMS conferences have a sizeable financial effect on the host city, Ms. Luthi said, noting that last year the Philadelphia tourism board estimated that the conference brought in nearly \$50 million of revenue into the city.

"When RIMS comes to town, not only do we have a financial impact, but we also have a very personal impact and connection with the community," she said.

RIMS members and event sponsor Zurich North America will donate books to the center and make personalized stickers and bookmarks to be placed in each book.

About 80 to 100 RIMS members and conference-goers are expected to attend the event, said Jillian Walsh, director of community investment for Zurich in North America, based in Schaumburg, Ill.

"The RIMS Community Service Day would be a good opportunity for us to show our commitment to our community as part of our industry conference," Ms. Walsh said, noting that this is the Schaumburg, Ill.-based insurer's second year sponsoring the event.

For every book donated, Zurich will donate \$10 to the center, with a cap of \$25,000, Ms. Walsh said.

Volunteers will meet on-site at

RIMS 2013

COMMUNITY SUPPORT

This year's community service day Sunday, April 21 will support the Head Start program's book drive, and volunteers will build story boards and puppet theaters for classrooms.

the Los Angeles Convention Center from 8:30 a.m. to 3 p.m.

For more information, email communityserviceday@rims.org.

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RIMS 2013

L.A. INSIDERS' RECOMMENDATIONS

Los Angeles, the host city for the 2013 Risk & Insurance Management Society Inc. Conference & Exhibition, offers visitors plenty of attractions, fine restaurants and proximity to several getaway destinations within a few hours by car. *Business Insurance* polled a group of local risk management and insurance professionals for inside scoops and recommendations of their favorite activities, dining spots and quick getaways.

COMPILED AND WRITTEN BY ANNA GAYNOR



JAMES M. DURRÉE

Vice president, global risk management
Jacobs Engineering Group Inc.

Dining: Lazy Ox Canteen; Mo-Chica; Drago Centro.

Attractions: Venice Beach "It's hard to describe — any walk of life is there"; L.A. Live; Old Pasadena; Huntington Library, Art Collections and Botanical Gardens.

Getaway: Laguna Beach: "Beautiful beach community."



LINDA SOMERVILLE

Risk manager
J. Paul Getty Trust

Dining: One Pico at the Shutters on the Beach Hotel; Taste at the Palisades; Maison Giraud: "The food is authentic French."

Attractions: Santa Monica Pier; The beach from Santa Monica to Malibu: "That whole area is quite lovely."

Getaway: San Diego Zoo: "In and of itself, is a full day"; Catalina Island.



JAN BERGER

Vice president-risk management/corporate
Live Nation Worldwide Inc.

Dining: WP24 by Wolfgang Puck: "Fabulous lounge and view"; Crustacean.

Attractions: Griffith Observatory; Hollywood Walk of Fame.

Getaway: "A little north of Santa Barbara is wine country."



DENNIS HEALY

Los Angeles RIMS board member
Managing director

Poms & Associates Inc.
Dining: Engine Co. No. 28; Nickel Diner; Pacific Dining Car; The Proud Bird.
Attractions: "Disneyland is always a hotspot." Knott's Berry Farm.

Getaway: "Newport Beach is beautiful." Hiking trails on Runyon Canyon Park.



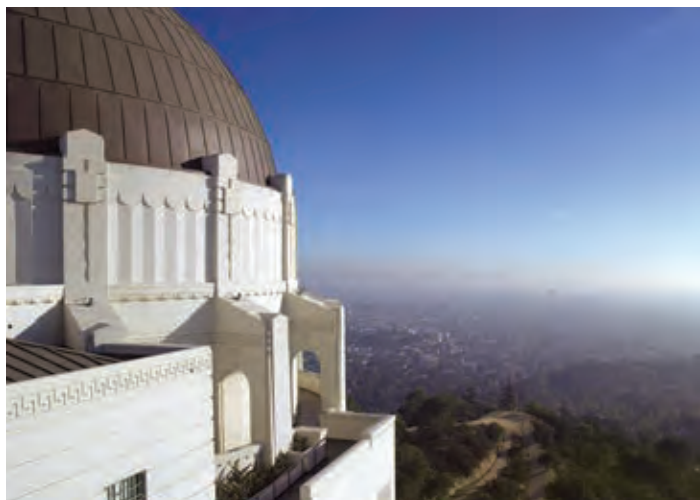
JEFF STOLLE

Director, risk management
Dole Food Co. Inc.

Dining: Reel Inn; Bottega Louie; Nobu: "If you have an unlimited budget, this is the best meal I have ever had."

Attractions: Third Street Promenade in Santa Monica.

Getaway: "The weather is perfect 95% of the time and you can always be outdoors" at Big Bear Lake, Ventura and Santa Barbara.



LITTLENY/SHUTTERSTOCK.COM

Left to right: Griffith Observatory, Hollywood Walk of Fame, Santa Monica Pier



KATE FREDRIKSEN/SHUTTERSTOCK.COM



ROB SHEPHERD

Producer
Aon Risk Solutions

Dining: Chaya Brasserie: "Everything from great seafood to Kobe burgers to chicken." Church and State Bistro; Más Malo.

Attractions: Walt Disney Concert Hall.

Getaway: The Biltmore Hotel in Santa Barbara.



ROSS PEBLEY

President of the Los Angeles RIMS Chapter
Head of risk management at DreamWorks Animation SKG Inc.

Dining: Marston's Restaurant.

Attractions: Space Shuttle Endeavour at the California Science Center.

Getaways: The Queen Mary at Long Beach.



SCOTT RITTO

Los Angeles RIMS board member
Director of risk management, American Realty Advisors

Dining: Katsuya; Water Grill.

Attractions: J. Paul Getty Museum; Getty Villa.

Getaways: Balboa Island in Newport Beach.



LAUREL A. ULRICH

Managing director, brokerage leader
Aon Risk Services

Dining: Café Pinot; Nick & Stef's Steakhouse; Figoly.
Attractions: Take a drive: "If you take Sunset all the way down, you'll end up at the ocean."

Getaways: Terranea Resort in Palos Verdes.



JOHN CHINO

Area senior vice president
Arthur J. Gallagher & Co.

Dining: Asanebo: "It's the best sushi place in L.A. ... You don't go there and order spicy tuna rolls." Musso & Frank Grill.

Attractions: Los Angeles County Museum of Art; Zuma Beach in Malibu.

Getaway: Fashion Island at Newport Beach.

RIMS ATTENDEES TEE IT UP FOR SPENCER CHARITY

Attendees of the 2013 Risk & Insurance Management Society Inc.'s Conference & Exhibition once again will hit the links to raise money to support students of the risk management profession.

This year's Spencer/Gallagher Golf Tournament, sponsored by Itasca, Ill.-based insurance brokerage Arthur J. Gallagher & Co., will be held Sunday morning, April 21 at the Robinson Ranch Golf Club in Santa Clarita, Calif., 25 miles north of Los Angeles.

All proceeds from the tournament, which Arthur J. Gallagher has sponsored for 22 years, go to benefit the Spencer Educational Foundation Inc., a RIMS-affiliated charitable organization that awards scholarships and educational grants to students pursuing an education in risk management and related fields.

Last year's tournament in Philadelphia counted 96 players and raised \$38,000 for the Spencer Foundation.

This year's event has more than 100 registrations from players, said Lauren Cavanaugh, senior account manager at Arthur J. Gallagher in Baton Rouge, La., and an organizer for the event.

This year's fundraising goal is \$40,000, she said.

"The goal is to help the Spencer Foundation. It's a great way to introduce and help people in this industry, and we just want to make sure that that continues," Ms. Cavanaugh said.

"We love having the whole spectrum of the business to play in this tournament to really support that foundation," she said, noting that risk managers, insurers and other brokers participate in the fundraiser.

Andrew L. Miller, director of development for the Spencer Educational Foundation in New York, said the golf tournament and the RIMS conference are important events for the foundation.

"It's become a wonderful RIMS tradition," he said, referring to the tournament.

"That's going to help with all of our programs, from scholarships, to internships and to our risk-manager-in-residence grants," Mr. Miller said. "It really helps to fund the education of tomorrow's risk management and education leaders."

Bus transportation will depart the JW Marriott Los Angeles, 900 W. Olympic Blvd., at 6:45 a.m. Tee time is at 8 a.m.

Winners of the tournament will receive prizes to be presented at a luncheon after the tournament.

While registration has closed, interested parties may contact Ms. Cavanaugh at 225-906-0143 or Lauren_Cavanaugh@AJG.com for open slots.

Separately, this year's NAPCO Spencer Cup hockey tournament has been canceled.

Colin Morris, analytics coordinator at NAPCO L.L.C. in Iselin, N.J., said the hockey tournament will be rescheduled for later in the year.

"We're in the midst of setting up a more regional tournament in the coming months to honor our commitment to Spencer," Mr. Morris said, noting that the tournament is in the works for the RIMS 2014 conference in Denver.

For further details on the hockey tournament, contact Mr. Morris at 732-603-5611.

By Mike Tsikoudakis

TIGERRISK EXEC COMBINES MODELING, CONSULTING

Q What prompted your recent job change?

A At this point, the insurance industry is at an inflection point. Insurance companies only have a few levers to pull to differentiate their results. In a persistent low-interest-rate environment, insurance companies cannot rely on investment income, so the biggest lever is analytics and how you manage risk and capital. Given these conditions, I think the best platform for me is at TigerRisk. I have a very high regard for what Chairman James Stanard and managing partner and CEO Rod Fox have built up over the last five years. Their relentless focus on client needs and innovation is really culturally consistent with the way I think.

Q What are your responsibilities at TigerRisk, and how will your

Q&A

previous work inform what you do?

A My agreement is to work with Tiger's existing team to leverage the analytics they do have and also to work directly with clients to help them make better decisions around risk, risk transfer and capital. Prior to joining Tiger, I spent about half of my

career in underwriting in insurance and reinsurance, and then the second half of my career in modeling and analytics. So the move to Tiger is really marrying those two together.

Q What are the common misconceptions about catastrophe modeling?

A Models are enablers. Tiger is providing counseling and advice to their clients on how to manage capital and transfer risk. Certainly, analytics is part of that and modeling is a big part of analytics. Catastrophe models are wonderful tools, but it is important to contextualize them. What do they do? What don't they do? Where are the greatest uncertainties? You have to be able to use them in a broader realm of analytics.



BILL KEOGH

**PARTNER, TIGERRISK
PARTNERS L.L.C.**

Bill Keogh stepped down in March as president of catastrophe modeling firm Eqecat Inc. to take a post as partner at Stamford, Conn.-based reinsurance broker and risk management advisory firm TigerRisk Partners L.L.C. He recently spoke with *Business Insurance* Associate Editor Bill Kenealy about the challenges and opportunities he sees in his new role at TigerRisk. Edited excerpts follow.

Q Where will you be based?

A I will be working out of our headquarters in Stamford, but I also will be spending a lot of time in our Raleigh, N.C., office and Minneapolis office.

Q Although it's a flat organization, what's your official title?

A It will probably be partner, but my business card will simply say "TigerRisk." I think Tiger has built something really unique in the reinsurance brokerage business, and I am happy to be joining it.

COMINGS & GOINGS

UP CLOSE: DIANNE HEFFRON

WASHINGTON-BASED PRINCIPAL, GOVERNMENT HUMAN SERVICES CONSULTING
SPECIALTY BUSINESS

Mercer L.L.C.

PREVIOUS POSITION: Baltimore-based director of the financial management group at the Center for Medicaid and CHIP Services.

LOOKING FORWARD TO: Working with the Mercer team to really develop and provide a complete package of services to our clients, from finance to program design all the way to contracting and negotiation. From a federal perspective, you do policy work, but you never see that flow down.

GOALS FOR NEW POSITION: I really hope to bring a side to Mercer that focuses on government finance for public programs and reimbursement redesign. That has been a main focus on the federal side. I would love to add that to the Mercer table of services.

CHALLENGES FACING INDUSTRY: I think that the challenge that we really face in the federal government ... is about managing growth and change in the system. What we are looking at is an unprecedented growth in the health delivery system, particularly in the lower-income segments. For marketplaces to absorb that growth and maintain the same level of service ... will be an incredible challenge.

INDUSTRY OUTLOOK: It's an unprecedented landscape for us. The opportunity to break down some of the silos between public and private health care; that



provides an incredible opportunity. There's opportunity to design a new health system over the next 10 years.

FIRST MARKET EXPERIENCE: I worked at a hospital that owned an HMO. I did market strategies. I really got to see firsthand, way back when, the conflicts between health insurance and providers, even within the same corporation. It's not resolved yet.

ADVICE: Whenever you approach a problem or an issue, try to experience that issue from the point of view of each stakeholder. Once you stand in another's shoes, the solutions are quite obvious.

OUTSIDE THE INDUSTRY, A DREAM JOB: I would run a coffee house.

HOBBIES: I love to read. I have given up most of my hobbies because I am a taxi for my kids.

CAN'T-MISS TELEVISION SHOW: "Downton Abbey." I love the whole costume drama.

FAVORITE BOOK: "The Elegance of the Hedgehog" by Muriel Barbery. I just love that book.

FAVORITE MEAL: Sushi. Satisfying but not filling.

ON A SATURDAY AFTERNOON: Watching lacrosse. Both my daughters play lacrosse.

Professional Moves & Promotions

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

BROKERS

Aon P.L.C.	Vincent Gandolfo
Alliant Insurance Services Inc.	Dennis Monahan

INSURERS

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Markel Corp.	Mike Scyphers
CNA Financial Corp	Robert McCarty
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Eqecat Inc.	Paul Little
Aon Risk Solutions	Matthew Schneider
Duke University	Charles Kyles
Mercer L.L.C.	Brian Henderson
University of Wisconsin-Madison	Cara Leeman

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: Anna Gaynor, *Business Insurance*, 150 N. Michigan Ave., Chicago, Ill. 60601-7524. agaynor@businessinsurance.com.

Marsh alliance offers D&O governance advice

Marsh Inc. has partnered with two companies to offer governance, risk and compliance resources to directors and officers.

The strategic alliance includes Corpe-dia Corp., which provides education, communication and advice on governance, risk and compliance issues; and Corporate Board Member, which offers resources for senior officers and directors of publicly traded corporations, large private companies and Global 1000 firms. Both companies are subsidiaries of NYSE Euronext, the financial markets operating company that operates the New York Stock Exchange.

The first tool the companies have launched through the partnership is the board compliance oversight and governance diagnostic, which is intended to help organizations benchmark current board programs against their peers and offer advice on ways to improve governance processes and mitigate risk.

The diagnostic tool is available to any organization at no cost.

For more information, contact Jack Flug, managing director in Marsh's financial and professional liability practice, at 212-345-6493 or jack.flug@marsh.com.

Philadelphia launches media liability coverage

Philadelphia Insurance Cos. has launched media liability coverage for media companies and organizations that create or distribute media content.

Called Cover Pro Media, the program includes protection against defamation, libel, copyright infringement and invasion of privacy, the insurer said in a statement.

The product also addresses risks associated with social media, publishing, film

PRODUCTS & SERVICES

AIG expands collateral options for some clients

American International Group Inc. has rolled out a new option for companies with large-deductible casualty insurance programs looking for flexible collateral requirements.

The program allows qualified AIG policyholders to defer collateral requirements by up to 50% on large-deductible workers compensation, general liability and commercial automobile liability policies on an annual basis, the insurer said in a statement.

While eligibility is based on each company, the collateral flex option is available to a range of organizations, including smaller groups that haven't yet earned an investment-grade rating.

For additional information, contact an AIG regional casualty executive.

production, provision of content and broadcasting.

"Organizations find themselves as de facto 'publishers' when they host public websites (or) blogs, post material on social media sites or are involved in tra-

ditional broadcasting and publishing activities," said Thomas Herendeen, vice president of underwriting for management and professional liability products, in a statement. Given the insurer's customer base "and the proliferation of online content, along with the explosion of social media, we saw the need to provide coverage for this expanding exposure."

The program also includes automatic coverage for independent contractors providing media activities, which include social networking and public appearances, on behalf of policyholders.

Coverage is available on a claims made or occurrence basis to television and radio broadcasters, publishers, film producers, online advertisers and content providers, authors and spokespersons among others.

For additional information, contact Christan Collins-Awad, assistant vice president, at 469-221-7931.

XL adds yacht cover to marine business

XL Group P.L.C. has rolled out a suite of recreational marine coverages for yacht owners.

As a part of its North America marine insurance business, ShipShape offers more than 30 different coverages, including protection for additional living expenses, personal articles of significant value on the vessel, marine environmental damage, and emergency towing and wreck removal, the insurer said in a statement.

The suite includes property damage, medical payments, personal property and liability coverage. Both medical payments and liability are extended to paid crew.

Limits are available up to \$50 million.

For more information, contact Rick Salway, recreational marine manager, at rick.salway@xlgroup.com.

DEALS & MOVES

Hiscox counterterrorism team assists risk managers, brokers

Hiscox Ltd. has launched a counterterrorism team for brokers and their risk manager customers, the insurer said.

The risk management facility supplements existing services offered through Hiscox's partnership with Control Risks Group Ltd., a global risk consulting organization focused on managing political and security risks in complex and hostile environments, Hiscox said in a statement.

In addition to his responsibilities as group head of kidnap and ransom, Robert Davies is leading the London-based team as group head of terrorism.

"The world is an increasingly volatile place to do business; threats from war, terrorism and political violence are definitely on the increase," Mr. Davies said in a statement. "It's our business to help clients manage these exposures, and this new team will be able to assess terrorism risks ahead of the curve, enhancing our ability to provide cover in politically unstable regions or where there are unusual risk profiles."

Willis launches alliance with minority-, women-owned groups

Willis North America Inc. has launched a practice group intended to help companies build strategic alliances with minority-owned and women-owned organizations.

Called Willis Open, the initiative has selected several certified minority-owned insurance and consulting firms in the marketplace to advise clients, Willis said.

"We are thrilled to launch a diversity partnership initiative and drive creative solutions to meet market demand," Vic Krauze, chairman and CEO, said in a statement. "With over \$100 billion in annual minority business enterprise spend, diversity partnerships have become a major strategic initiative for companies. Given the increasing importance of supplier diversity to firms across all sectors, the Willis model provides a winning platform for clients."

Executive Vice Presidents Kimberly Waller and Phillip Styles will lead Willis Open. They report to Eric Joost, chief executive of Willis North America specialties.

Previously, Ms. Waller was chief operating officer and Mr. Styles was director of supplier diversity and strategic alliances at Aon Cornerstone, a unit of Aon P.L.C.

For additional information, contact Chicago-based Ms. Waller at kim.waller@willis.com or Atlanta-based Mr. Styles at phillip.styles@willis.com.

Torus receives approval to launch Lloyd's managing agency

Torus Insurance Holdings Ltd. has received approval to launch a Lloyd's of London managing agency, Torus Underwriting Management Ltd.

London-based Torus announced that effective immediately it would assume the management of multiline Lloyd's syndicate 1301, which it acquired in 2011. Syndicate 1301 was a turnkey syndicate — a syndicate managed by a third party on behalf of a capital provider — managed by Chaucer Holdings P.L.C.

Syndicate 1301 underwrites accident and health, aviation, bloodstock, construction, marine, property schemes, direct and facultative, specie and war and terrorism coverages.

"Forming a Lloyd's managing agency has been a key

Mobile app shows the way for RIMS conference

TECHNOLOGY

HOW DOES IT WORK?



BILL KENEALY

Risk managers attending the Risk & Insurance Management Society Inc.'s annual conference can utilize a mobile app to make their way around this year's meeting in Los Angeles.

The free app, developed by Arnold, Md.-based Core-Apps L.L.C. on behalf of RIMS, is available for Apple products and Android devices.

Stuart Ruff, director of meetings and events for RIMS, said the goal of the app is to enhance the conference experience for attendees.

"Last year was the first year into the world of mobile apps for the RIMS conference," Mr. Ruff said. "It was a wonderful success in terms of downloads and the feedback we received."

That feedback led to develop-



ment of features that will help attendees keep their schedules straight at the April 21-24 conference.

"This year, we worked to improve the app by linking the schedule feature to your actual registration," Mr. Ruff said. "Your schedule and events will automatically sync into the app once you sign in."

In addition to facilitating scheduling, another area of emphasis is keeping attendees

up to date. The app integrates RIMS' Twitter feed to keep users abreast of news and updates.

Attendees also may find useful the app's mapping function that, in addition to giving an overview of the show floor, has an interactive navigation feature that can help users pinpoint individual booth and session locations.

Those besieged with business cards may appreciate a friend function, which gives users an electronic means to store contact information.

Elsewhere on the app's dashboard are numerous tiles that link to lists of sessions, exhibitors and speakers.

Those interested in the app can download it at the Apple App Store, Google Play or at app.core-apps.com/rims2013.

strategic objective for Torus,” Dermot O’Donohoe, CEO of Torus’ international operations, said in a statement.

“As the world’s foremost specialist insurance market, Lloyd’s is a key platform, and having our own managing agency completes the necessary and scalable infrastructure to operate as a leading specialty insurer,” he added.

Regulatory approval for the new managing agency was given by both Lloyd’s and the Financial Services Authority, the U.K. insurance regulator.

▶ iSelect launches private health benefits exchange

iSelect L.L.C. has launched Michigan’s multi-insurer and distributor private health benefits exchange.

In a statement, the Royal Oak, Mich.-based benefits intermediary said its exchange, iSelect Custom Benefits Store, was designed to accommodate primarily midsize and small employers pursuing defined contribution funding strategies for their group health benefit plans.

The Custom Benefits Store will provide

employers with access to a range of health and voluntary benefits, including major medical, dental, vision, disability and life insurance plans.

“iSelect levels the benefits playing field for midsized employers,” iSelect founder and CEO Denise Christy said in the company’s statement. “iSelect gives employers access — through their independent insurance agents — to multiple carriers and a menu of benefit options not available previously in the small and midsized employer market.”

The plans available through the exchange will be underwritten by two nonprofit insurers: Detroit-based Health Alliance Plan of Michigan and Grand Rapids, Mich.-based Priority Health Managed Benefits Inc., according to the company’s statement.

▶ AIR Worldwide service aimed at public sector

AIR Worldwide has formed a new consulting service for public sector organizations and stakeholders managing catastrophe risk.

John W. Rollins, vice president, will serve as head of public risk services, the catastrophe modeler announced in a statement.

The new unit will keep stakeholders aware of AIR’s research, software and consulting activities, educate organizations on the benefits of catastrophe models, and manage an ongoing knowledge center focusing on the role, structure and risk-sharing framework of public risk pools.

“Many public groups, including insurance commissioners, wind and earthquake pools, model evaluation commissions, federal insurance programs, prudential and solvency regulators, and quasi-governmental organizations, are increasingly concerned with the micro and macro impact of disasters,” said Mr. Rollins in a statement. “Some are increasingly bearing the risk on behalf of taxpayers. By offering a dedicated service to these important organizations, we’re fully committed to better serving the public sector as it manages catastrophe risk.”

▶ Burnham Benefits to open Northern California office

Burnham Benefits Insurance Services Inc. announced the opening its Northern California office.

Michael Michalski has been named equity

partner and appointed regional president, the Irvine, Calif.-based broker said.

“The firm has established an extraordinary infrastructure and a corresponding reputation for outstanding service in Southern California,” Mr. Michalski said in the statement. “The industry landscape has seen significant consolidation in recent years, and the market exists for a strong, independently controlled, statewide firm that can offer vendor/carrier cost opportunities as well as improved efficiencies in technology, communications and compliance. It’s my job to preserve all the things that make Burnham great as I build its Northern California teams to balance company revenue across the state. I look forward to meeting that challenge as well as contributing to setting the tone and direction for the overall growth of the firm.”

Previously, Mr. Michalski was founder of Optimum Benefits Co., which eventually merged with Benefits Planning Inc. The company was acquired by Arthur J. Gallagher & Co. in 2003, where he stayed on as president until joining Burnham Benefits on April 1.

The Northern California office is located at 4040 Civic Center Drive, Suite 200 in San Rafael, and can be reached at 415-526-8401.

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Hampden Capital P.L.C., which advises individual underwriting members of Lloyd's — or names — said Superstorm Sandy was one of the costliest events for the Lloyd's market since 1994 and that “significant uncertainty still remains regarding its ultimate cost.”

London-based Hampden also noted that all classes posted a profit except auto, which, despite a combined ratio of 104%, posted “encouragingly the lowest combined ratio since 2008.”

Mr. Ward said the market performed well against a challenging economic background and noted that that recent events in Cyprus served as a reminder that the cri-

Lloyd's reveals some concerns over Aon facility

A facility set up by Aon P.L.C. that guarantees Berkshire Hathaway International Insurance Ltd.'s participation on business involving Lloyd's of London underlines the market's importance, said Lloyd's CEO Richard Ward.

The facility announced last month calls for Berkshire Hathaway to accept 7.5% of Aon's retail placement in the London market where Lloyd's is participating and includes most coverage lines.

“It's a backhanded compliment,” Mr. Ward said of the Aon/Berkshire Hathaway facility, which is



Mr. Ward

being characterized as a sidecar. “And Aon have assured us that it'll lead to more business for Lloyd's,” he said.

“On the flipside,” this means a proportion of business will be going to Berkshire Hathaway rather than Lloyd's syndicates, “and that does concern us,” Mr. Ward said. He said Lloyd's was in discussions with Aon and Berkshire Hathaway to try to ensure that the arrangement will not “squeeze smaller participants off the slip.”

By Sarah Veysey

sis in the eurozone is not yet over.

Despite his satisfaction at the market's financial performance

last year, Mr. Ward said there are several areas in which Lloyd's faces challenges this year.

Lloyd's has spent an estimated £300 million (\$456.1 million) in preparing for Solvency II, which

now is likely to come into force in 2016.

“Of course I'm frustrated by the delays,” especially given the amount of preparatory work that Lloyd's has done, he said.

But Mr. Ward said Solvency II has become “business as usual” for Lloyd's. “We are taking the good elements of Solvency II and feeding them into the market,” he said in citing individual capital assessments and certain risk governance aspects of the proposed rules as areas that the Lloyd's market has embraced.

The recent announcement by Aon P.L.C. and Berkshire Hathaway Inc. of a sidecar for direct insurance business written in the Lloyd's market serves to underline the importance of the market to the global insurance industry, Mr. Ward said. (see related story).

NARAB

Continued from page 4

is very little uniformity in nonresident producer licensure,” said Joel Wood, senior vice president of government affairs at the Council of Insurance Agents & Brokers in Washington.

Consequently, the House passed two previous versions of the NARAB II Act, but the Senate failed to follow suit.

Producer groups and the National Association of Insurance Commissioners have called for passage of the new bill. Sens. Jon Tester, D-Mont., and Mike Johanns, R-Neb., and Reps. Randy Neugebauer, R-Texas, and David Scott, D-Ga., introduced NARAB II in the House and Senate last month. The four sponsors either are the chair or ranking member of panels that deal with insurance matters in their respective houses.

“In a nutshell, NARAB I would have formed this nonprofit one-stop licensing board if a majority of the states did not meet a level of reciprocity that the NAIC determines,” but enough states did meet the requirement, said John Prible, vice president of federal government affairs for the Alexandria, Va.-based Independent Insurance Agents & Brokers of America.

NARAB II has no such strings attached and no conditions that have to be met. “This affirmatively creates the NARAB board” two years after enactment, Mr. Prible said. NARAB would streamline nonresident market access for insurance agents and brokers while ensuring that producers remain subject to state market conduct authorities.

The proposal enjoys the support of the NAIC, as NAIC Vice President Monica Lindeen, who also is Montana state auditor and commissioner of securities and insurance, told the Senate Banking, Housing and Urban Affairs Committee's Subcommittee on Securities, Insurance and Investment.

“The NARAB Reform Act pro-

vides for nonresident insurance agent and broker licensing while preserving the rights of states to supervise and discipline agents and brokers,” Ms. Lindeen said in written testimony presented last month to the panel, which Sen. Tester chairs.

“We've gone 14 years, and I think there has been in that time there's been a tremendous amount of coalescence on the need for administrative simplicity,” said Mr. Wood. “To its credit, the NAIC has worked very closely with us to help tailor a NARAB proposal that wouldn't be a regulatory body but rather an administrative clearinghouse.”

But Mr. Wood noted that the bill must still clear “all kinds of hurdles.” The first is that “in an increasing dysfunctional Congress, getting anything to the finish line is always more difficult than it is stopping something,” he said.

He also said that “nothing worth doing doesn't attract some degree of opposition.” While the NAIC has done an “outstanding job” in bringing the states together in supporting NARAB II, “you never know when one's going to come out of the woodwork opposing the proposal.”

NARAB II could draw fire from the right and left, with the left arguing the measure would create an unaccountable body and the right arguing that the bill was an exercise in NAIC turf building, he said.

A third hurdle is educational, which is “convincing members of the U.S. Senate that the hurdles of multistate nonresident producer licensure constitute a bureaucratic nightmare that needs to be solved,” Mr. Wood said.

“The first and most significant obstacle is the calendar,” said Mr. Prible. “We feel really solid in the House,” he said, there are fewer markups in the Senate. The fact that the Banking Committee does not schedule markups often lessens the opportunity to get something out of committee, Mr. Prible said.

“This has to be the session,” said Mr. Wood. “Our organization formed its first task force on these issues in 1933; we need to have a resolution on these issues.”

THEFT

Continued from page 3

detected when company financials suffer because they can be hidden” during good financial times, he said.

“The markets for crime insurance would all tell you there has been an uptick in crime losses,” said Lisa McAleenan, a senior vice president at broker Lockton Cos. L.L.C. based in St. Louis. “We've seen that with our client base.”

Economic downturns often provide an additional incentive for employees to steal because, as the saying goes, “desperate times call for desperate measures,” said Eric Cernak, vice president at Hartford Steam Boiler Inspection & Insurance Co. in Hartford, Conn.

“When times are tough and they're looking for an extra source of income, people will do things that they might not otherwise do. If they think it's a faceless crime or

only defrauding an institution where they have a chip on their shoulder for, during tough economic times the potential for fraud is greater,” Mr. Cernak said.

Though employers must be careful of profiling, which could result in employment practices litigation or a character defamation suit filed by an employee wrongfully accused of stealing, “if someone appears disgruntled and has expressed their frustration, that's someone you might want to keep an eye on,” Mr. Cernak said. “Say the annual raise or bonus wasn't as much as they thought, or they were passed over for a promotion,” he said.

Keith Lavigne, a senior vice president at New York-based insurer Ace USA Professional Risk, said his company has “absolutely” seen an increase in claims filed as a result of thefts that occurred during the recent recession.

“It's the behavior of human beings that we're talking about. In difficult economic times, it leads

companies to reductions in force, employee layoffs or even downsizing employee perks. It's just temptations. Employees look to other areas or for opportunities to replace that loss,” he said.

Moreover, “when you have a layoff in a company, other employees take over the responsibilities” of those who have been laid off, “and that's when the fraud that may have been concealed for a long period of time is often discovered,” Mr. Lavigne said.

“A significant amount of employee-related theft is driven by the economy and the impact of the economy on employees' families,” said Chris Giovino, a partner at New York-based forensic accounting firm Dempsey Partners L.L.C.

In fact, because most occupational fraud isn't uncovered for 18 months to two years, “we have seen a lot of it surfacing within the last year, and our forensic practices have picked up considerably in the last 12 months,” Mr. Giovino said.

SOLVENCY

Continued from page 4

guidelines, which focus largely on the risk management, governance and reporting rather than capital rules, would not become the “de facto” rules. Rather, Mr. Bernardino said the interim rules are intended to help regulators and companies continue preparing for the actual implementation of Solvency II.

The interim guidelines would require insurers and reinsurers to produce a forward-looking assessment of the risks they face, which is based on what is called an own risk and solvency assessment; submit information to their national regulators; and undergo a pre-application process to use internal models.

The guidelines will help bring consistency to the way supervisors act as well as help supervisors

and insurers prepare for Solvency II, said Paul Clarke, global head of Solvency II at PricewaterhouseCoopers L.L.P. in London.

He noted, however, that some requirements, such as quarterly reporting by insurers, which will be required in addition to the regular reporting required by national regulators, will prove challenging for some.

The quarterly reporting is more extensive than many observers had expected, said Janine Hawes, insurance director at KPMG L.L.P. in London.

“It is not restricted solely to narrative information, but includes a significant proportion of the quantitative reporting templates that would apply once Solvency II comes into force,” Ms. Hawes said.

This may prove burdensome for insurers that may have deferred preparation for Solvency II's reporting requirements given the impasse holding up its implementation.

A spokeswoman for Insurance Europe, the group that represents insurers and reinsurers in Europe, said it was consulting with its members to respond to the EIOPA proposal.

The group wrote Mr. Bernardino in mid-March to say that while it welcomed the guidelines to keep up the momentum of preparation for Solvency II, it would oppose the compulsory quantitative reporting as this could pre-empt the outcome of current negotiations on the final Solvency II rules, among other issues.

Mr. Bernardino said there will continue to be inconsistencies between national regulatory regimes until Solvency II rules are finalized, but said he hoped the guidelines would help address some of those discrepancies.

He said that while there would be some cost involved for companies in adopting the guidelines, “these preparations will enable companies to spread the cost.”

REBATES

Continued from page 1

president and workers comp practice leader in Philadelphia for Towers Watson & Co.

"It's going to be years until we have enough data to get rid of as much anecdote and rhetoric as we possibly can to see how (PPACA) is impacting, if at all, the workers comp environment."

But in a March advisory, Boca Raton, Fla.-based NCCI said that how employers comply with the requirement to provide employee health care coverage under the PPACA "has the potential to affect an employer's workers compensation premium determination."

The research and rating organization's advisory discusses its existing rules that workers comp insurers in NCCI-rated states must follow when tabulating an employer's payroll.

An employer's total payroll, resulting from year-end audits by underwriters, helps determine the premium amount policyholders pay for workers comp coverage.

Under the rules the NCCI evaluated, any cash an employer gives an employee as part of their gross wages to buy their own health insurance, say through an exchange, would be considered payroll.

In contrast, payments employers make to a group health plan on behalf of an employee would not be included as payroll when determining workers comp premium.

Under the national health reform law, health insurers must spend a certain percentage of premiums on claims and quality improvement measures or rebate money to their customers.

Whether employers pass those rebates on to employees or apply them to pay future health insurance premiums will play a role in determining their total payroll for workers comp premium determination purposes, NCCI said.

But the NCCI's advisory raises a potential for insurers to unfairly increase an employer's workers compensation insurance premiums even though an insured has not experienced any increase in

exposures, said Pam Ferrandino executive vice president and casualty practice leader for Willis North America Inc. in New York.

Any increases would hit employers just as policyholders in many states already are experiencing workers comp rate increases, Ms. Ferrandino said.

So she is in discussions with insurers and weighing developing a policy endorsement or other contract language that would prevent underwriters in all states from collecting additional premium from Willis clients due to changes in how an employer's total payroll is determined, Ms. Ferrandino said.

The rules by NCCI, which pro-

vides rating services for 38 states, on what underwriters are to include or exclude when determining an employer's total payroll are not new, said Linda Colbert, NCCI regulatory services manager in Boca Raton, Fla. Rather, NCCI studied the health reform law to see how NCCI's existing rules would affect underwriter payroll determinations.

NCCI did so to help insurers and agents understand the payroll effect and help employers learn how their future group health insurance purchasing decisions might influence their workers compensation programs, Ms. Colbert said.

NCCI did not look at the law

beyond its payroll implications because so much remains unknown about its overall implementation, Ms. Colbert said.

Ms. Ferrandino said the NCCI analysis on rebates concerns her because employers whose employees show health improvements are more likely to receive a rebate, which could increase their payroll and, in turn, raise their workers comp premiums.

"I think it is absolutely wrong that our insureds should have to pay additional premium to a carrier because their (health care) losses were better than expected," Ms. Ferrandino said.

Several underwriters declined to discuss NCCI's advisory, but

NCCI's Ms. Colbert said the rebates could diminish over time as health insurers adjust their practices under the health reform law.

But Michael Thompson, a principal with PricewaterhouseCoopers L.L.P. in New York, said the rebates could continue indefinitely because medical trends constantly shift and health insurers do not know how much they will pay out in claims year after year.

Whether to apply the rebates to future premiums or pass them on to employees will vary by employer, he said.

"More times than not ... (employers) will find a way to give it back," Mr. Thompson said.

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WELLNESS

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to five years.

As wellness and health management programs have become more institutionalized within the health care industry, experts say many employers have seen the positive results of their original reward-based incentives wither, and are now turning to penalties to boost participation in wellness programs.

“What a lot of employers have found is that positive rewards generally aren’t that effective unless they involve a fair amount of money, depending on the pay level of the employees,” said Helen Darling, president and CEO of the Washington-based National Business Group on Health. “Where the rewards probably had worked initially, employers that have been doing this for a while are deciding that if they wanted to get people’s attention and to get them into the program, a penalty or consequence is going to be more effective.”

Experts said the logic behind penalty incentives is rooted in behavioral economics, particularly in the theory of loss aversion. This holds that a person is more easily compelled to prevent the loss of something than to

pursue a reward.

The most common forms of penalties employers use today are monthly or annual increases in employees’ health care premiums, copayments and deductibles, experts say.

In its announcement last month, for example, CVS Caremark told employees it would raise premiums \$50 per month for its group health care enrollees who did not submit to a health risk assessment and biometric screening.

“For those types of initiatives, which many employers are more aggressively moving toward in order to start to build that foundation of health knowledge that people need in order to engage in their own health, we do see consequence-based strategies working pretty effectively there,” said Jim Winkler, Lincolnshire, Ill.-based chief innovation officer at Aon Hewitt.

Experts said many employers have begun implementing gated benefit plans, which limit employees not participating in wellness efforts to more modest, high-deductible health care plans, while rewarding participation with access to plans featuring more comprehensive coverage and/or lower premiums and deductibles.

When Penfield, N.Y.-based Paychex Inc. revamped its health and wellness strategy in 2008, it adopt-

ed a tiered menu of self-insured health plans. Employees who did not complete an annual health risk assessment and on-site health screening — as well as indicate they either didn’t smoke or had enrolled in a smoking-cessation program — were limited to the company’s high-deductible “cost awareness plan.”

After only one year, health risk assessment participation rose dramatically to approximately 11,000 employees from roughly 900 in the 2007 plan year, according to Paychex.

Reston, Va.-based Lafarge North America Inc. has gradually integrated a similar system of “gated” health care plans into its wellness program, beginning in 2007. By

2011, the company lowered its medical cost trend to 5.2%, down from 13.3% growth from 2001-2006.

“The gated benefit plan approach has got some funky administrative challenges to it, just in terms of what happens to employees from one year to the next based on their wellness compliance,” Mr. Winkler said.

“But it’s a cool concept, and we’re seeing more interest from employ-

ers in going that route,” he said.

Despite their potential effectiveness, wellness penalties carry the risk of alienating or angering employees if they don’t understand the broader goals of the wellness program, experts say.

“Penalties can be helpful because they target the people whose behavior needs to change and prevent employers from wasting

resources.” In response, CVS has maintained that the nonparticipation penalty is the most effective way to drive better health management engagement among its employees.

“Ultimately, this is a matter for you,” Dr. Troy Brennan, CVS Caremark’s chief medical officer, said in a video message to employees. “We want you to be healthy, but you’re in charge of your health, and you’ve got to take the right steps. We’re trying to encourage you to do so.”

Employers’ messaging should strongly emphasize their wellness program’s overall goal of improving employee health, as well as a theme of shared responsibility

for the long-term viability of their group health plans.

“You might need a whole year of lead time to begin the process of educating employees on why the company is sharing responsibility for their health care coverage,” Ms. Connolly said. “Only after you get through that incremental education process are you really ready to actually implement the change, especially if it’s a penalty.”



Mr. Winkler

resources,” said Susan Connolly, practice leader for total health management at New York-based Mercer L.L.C. “At the same time, they can be tricky, because they can send a negative message.”

The CVS plan to incorporate penalties into its wellness program drew considerable criticism from national media, while patient rights advocates called the plan overly punitive and potentially dis-

CALIFORNIA: State examines ways to tackle opioid addiction

Continued from page 1

region vice president at the American Insurance Association.

California’s Division of Workers’ Compensation is devising new medical treatment guidelines similar to those used by Washington, sources say.

Dr. Gary Franklin, a neurologist and medical director for the Washington State Department of Labor & Industries, is advising the California workers comp division, but he declined to discuss details.

Dr. Franklin’s research and recommendations helped spur development of the Washington state medical treatment guidelines adopted in 2007.

After adoption, Washington saw a 23% drop in prescription painkiller-related deaths between 2008 and 2011, the latest data available. That compared with an eight-fold increase in such deaths during the previous 10 years, according to a statement the Washington State Department of Health released in January.

Among other recommendations, Dr. Franklin says opioid prescriptions should be provided for a maximum of six weeks after an acute injury or surgery, and that nonopioid pain relievers should be used as a first line of pain management for nonacute cases.

“Give people the comfort they need, but make sure that they’re improving from what you’re

doing,” Dr. Franklin said. “And maybe think about using opioids intermittently instead of increasing doses every day.”

Also, Dr. Franklin said states should require doctors to keep opioid doses at less than a morphine equivalent of 120 milligrams per day, a threshold dosage that could lead to opioid overdose if exceeded.

“Give people the comfort they need, but make sure that they’re improving from what you’re doing. And maybe think about using opioids intermittently instead of increasing doses every day.”

Dr. Gary Franklin,
Washington State Department
of Labor & Industries

“There’s no way to stop this public health emergency unless you do something” about dosage, he said.

Dr. Franklin shared his thoughts last month during a joint hearing of the California Senate Labor Committee and the Assembly Insurance Committee.

During the three-hour hearing that focused on opioids in workers

comp, California Insurance Commissioner Dave Jones said California has no guidelines for the use or prescription of opioids. He said Washington state could serve as a model for guidelines being developed by California.

California could consider adopting a prescription drug formulary that limits the use of certain medications, if the pending guidelines aren’t effective, he said.

“This may be an acceptable approach in the case of some of the most powerful and risky types of opioids,” Mr. Jones said in a video of the hearing.

William Zachry, vice president of risk management at supermarket operator Safeway Inc. in Pleasanton, Calif., said he’s hopeful the Washington medical treatment guidelines will become the standard for opioid regulation in California and other states.

“I strongly believe that if California and the other states adopt the treatment guidelines that have already been established in the state of Washington, it will be easier for implementation throughout the United States to have just one set of guidelines instead of having (varying) sets of guidelines trying to control opioids,” Mr. Zachry said.

In addition to workers compensation regulatory efforts, a bill introduced in the California Senate in February aims to bolster the state’s prescription drug monitoring program and help identify

problematic opioid prescriptions.

Another Senate bill on the table could go further to help curb opioid abuse in workers comp and California’s overall health care system.

Introduced in January, this legislation would require coroners to file a report when they think a death is caused by prescription drug use.

The measure the Senate unveiled in February would establish a state fund to pay for the Controlled Substance Utilization Review and Evaluation System, known as CURES.

The database, operated by the California Department of Justice, allows physicians, pharmacists and other providers to see whether a patient already has prescriptions for controlled substances, before they issue a new prescription for such medications. The state’s pharmacists and clinics are required to submit prescription information into the database but doctors that dispense prescriptions from their offices do not.

However, the controlled substance review system may be taken down in July because it does not have an operational budget, according to a January report from the Oakland-based California Workers’ Compensation Institute.

That report estimated that California’s workers comp system could save \$57.2 million in prescription drug costs by keeping the

controlled substance review database running and allowing third-party payers to access it.

Institute President Alex Swedlow said the database could be a critical component of the state’s efforts to curb prescription drug abuse.

“Payers in workers comp have a very limited view about the total medications that are being delivered to the injured workers under their review,” Mr. Swedlow said.

Mark Sektan, president of the Sacramento-based Association of California Insurance Cos., said the industry group hopes that the state will renew funding for the database and make the program mandatory for medical providers.

“Right now, it’s a voluntary program, so it tends not to be very robust,” Mr. Sektan said. “So the information’s not very good. We need everybody to participate, and everybody needs to use the system.”

During last month’s legislative hearing, Mr. Jones said insurers have offered to help pay for the prescription drug database, if physicians are required to report when they dispense prescriptions through their offices, rather than through a pharmacy.

“I think that’s fair,” Mr. Jones said. “If employers are going to pay through their insurance premiums for CURES, we need to make sure that CURES is complete and robust and provides full information.”

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UNITED STATES BANKRUPTCY COURT • SOUTHERN DISTRICT OF NEW YORK

In re CHARTIS EXCESS LIMITED x
Debtor in a Foreign Proceeding. x

In a Case Under Chapter 15 of the Bankruptcy Code Case No. 13-10088

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

PLEASE TAKE NOTICE that on March 25, 2013, Alexander Rosati (the "Petitioner"), the duly authorized foreign representative, as defined in section 101(24) of title 11 of the United States Code (the "Bankruptcy Code"), of Chartis Excess Limited (the "Company"), commenced the above-captioned case (the "Chapter 15 Case") by filing a petition (the "Petition"), pursuant to Chapter 15 of the Bankruptcy Code, with the United States Bankruptcy Court for the Southern District of New York (the "Court").

PLEASE TAKE FURTHER NOTICE that the Petitioner seeks, among other things, entry of an order giving full force and effect in the United States to the scheme of arrangement (the "Scheme") proposed by the Company and sanctioned, pursuant to Sections 201 and 202 of the Companies Act 1963 (as amended) of Ireland, by the High Court of Ireland.

PLEASE TAKE FURTHER NOTICE that the Petitioner is requesting recognition of a foreign main proceeding and related relief:

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

PLEASE TAKE FURTHER NOTICE that, pursuant to the Order Limiting Notice, Scheduling Hearing and Specifying the Form and Manner of Service of Notice, dated March 28, 2013, the Court has scheduled a hearing (the "Hearing") for May 1, 2013 at 10:00 a.m. or such other time as counsel may be heard, before the Honorable Sean H. Lane in Room 701 of the Bankruptcy Court, One Bowling Green, New York, New York, to consider the Petition and the relief requested by the Petitioner.

PLEASE TAKE FURTHER NOTICE that any party in interest wishing to submit a response or objection to the Petition or the relief requested by the Petitioner must do so pursuant to the Bankruptcy Code and the Local and Bankruptcy Rules, including, without limitation, Bankruptcy Rule 1011, in writing and setting forth the basis therefore, which response or objection must be filed with the Office of the Clerk of the Court, Room 534, One Bowling Green, New York, New York 10004-1405, and served on Chadbourne & Parke LLP, 30 Rockefeller Plaza, New York, NY 10112 (Attn: Francisco Vazquez, Esq.) no later than 4:00 p.m. (EDT), April 24, 2013.

PLEASE TAKE FURTHER NOTICE that the response or objection to be filed with the Office of the Clerk of the Court must be filed: (i) electronically by registered users of the Court's electronic case filing system in accordance with General Order M-099 of the Bankruptcy Court for the Southern District of New York, a copy of which may be viewed on the Court's website, www.usdb.uscourts.gov; and (ii) by all other parties, in interest on a CD-ROM, with hard copy provided to the Chambers of the Honorable Sean H. Lane at the address specified above.

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

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

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

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AIIG sets clawback policy for executive wrongdoing

American International Group Inc. said its board adopted a clawback policy to recover compensation in case of executive mistakes or wrongdoing. In a regulatory filing, AIIG said its board adopted the policy “to encourage sound risk management and individual accountability.” The policy provides a mechanism to pull back bonuses and equity awards from executives for at least the one-year period prior to any event that triggers a clawback. Among those triggering events are a financial restatement, failures of risk management or acts that hurt the company’s reputation.

Reuters

P/C rates rose in March, firming to continue

Commercial property/casualty insurance rates increased an average 5% in March over those of a year before, MarketScout reported. Commercial property, umbrella/excess, commercial automobile and workers compensation all experienced 5% rate increases, while employment practices liability and surety experienced the smallest increases at 2%. Meanwhile, Barclays Capital Inc. said firming commercial property/casualty insurance pricing

should continue through 2013. Barclays noted that the Council of Insurance Agents & Brokers’ fourth-quarter 2012 pricing survey showed that prices had increased 5% year over year, up from a 3.9% gain in the previous quarter.

Reduced reporting proposed for pension plan sponsors

Proposed Pension Benefit Guaranty Corp. rules would reduce reporting requirements for more than 90% of plan sponsors, the agency said. Among other things, the PBGC would waive reporting of certain events, such as a reduction in the number of active participants, a change in the control group and payment of extraordinary dividends, if an employer meets certain financial soundness tests, including having positive net income and no loan defaults, or if its pension plan is fully funded.

Coca-Cola gets final OK to fund benefits with captive

The U.S. Department of Labor has given final approval to The Coca-Cola Co. to expand the use of its South Carolina captive insurance company to fund additional benefits risks. Under the arrangement, Atlanta-based Coca-Cola will use its Red Re Inc. captive to reinsure group term life insurance and accidental death and

dismemberment policies written by Metropolitan Life Insurance Co.

Pension funding levels hit new low last year

Pension plan funding levels among large publicly held U.S. employers fell to a new low in 2012 as falling interest rates fueled a rise in the value of plan liabilities, which more than offset strong investment results and hefty employer contributions, according to a Milliman Inc. survey. Defined benefit plans offered by the 100 U.S. employers with the largest pension programs were, on average, 77.2% funded at year-end 2012, down from 79.2% funded in 2011, which was the previous lowest funding level, and 83.9% funded in 2010. In all, the market value of pension plan assets, aided by average investment returns of 11.7%, increased about \$73 billion to about \$1.319 trillion in 2012. Meanwhile, the funded status of pension plans sponsored by large employers improved sharply in March aided by strong investment results, according to Mercer L.L.C. On average, pension plans sponsored by companies in the S&P 1500 were 82% funded as of March 31, up from 77% funded as of Feb. 28, and from 74% funded at year-end 2012, Mercer said. In aggregate, the plans’ funding deficit fell by \$107 billion in March to \$372 billion, down from \$479 billion at the end of February and sharply lower than the record deficit of \$557 billion as of Dec. 31, 2012.

DOMA

Continued from page 3

“It’s sort of a double-edged sword for employers,” said Jay Kirschbaum, St. Louis-based practice leader of Willis North America Inc.’s national legal and research group. “Many would like to offer same-sex marriage benefits without the added administrative concerns, and others would just as soon not be pressured into that position and like having these laws in place that prevent them

from having to extend their benefits beyond traditional marriages.”

Other federal employment laws may be implicated as well. While Title VII of the Civil Rights Act does not prohibit discrimination on the basis of sexual orientation, it outlaws discrimination on the basis of gender. Without a federal definition of marriage, experts said employers that deny benefits to lawfully wed same-sex couples could be held liable for discrimination based on the gender of an employee’s spouse.

“There’s been some informal guidance from the Equal Employment Opportunity Commission

that seems to support that idea, but I don’t think we’ve seen enough cases on the issue to really know the answer to that question,” said Todd Solomon, a Chicago-based partner at McDermott Will & Emery L.L.P.

Additionally, experts said striking down DOMA’s Section 3 provision likely would extend protection under the Family and Medical Leave Act — which provides employees with up to 12 weeks of unpaid leave to care for sick family members, including spouses — to legally married same-sex couples, who currently are not cov-

ered under the law.

The Supreme Court also heard arguments last month in a separate case seeking nullification of an amendment to California’s Constitution banning gay marriage, known as Proposition 8. During the arguments, the justices focused primarily on the procedural elements of the case, particularly whether the parties defending the amendment have the legal right to do so at the federal level.

Based on the justices’ comments, experts said it appears likely that the case will be dismissed on those procedural grounds.

RATES

Continued from page 3

about 3.7 million people, mini-med plan sponsors face huge enrollment and cost increases if they move affected employees and their dependents into more traditional plans.

Employers whose workforces are largely comprised of part-time employees also could see their health care plan costs spiral should they extend coverage to employees working a 30-hour week to avoid a \$2,000-per-worker penalty for failing to do so.

For those employers, the issue is not that cost of health care services will significantly rise, but that enrollment in group health care plans could soar.

“It is a volume issue. You will have many more people who could be eligible for coverage,” said

Bruce Richards, a partner and chief actuary for health care at Mercer L.L.C. in Richmond, Va.

“There is no one unique answer,” Mr. Richards said of approaches employers will take, many of which have yet to make such decisions.

“These are very challenging issues,” said Lockton’s Mr. Kahle. Some employers that expand coverage may try to pass on at least some of that added cost onto their customers in the form of higher prices.

For example, Papa John’s International Inc. CEO John Shattner said last year that extending health coverage to those not eligible — mainly part-timers — would boost pizza costs by 11 to 14 cents.

Another potential approach would be to cut back coverage. Under the health care reform law, employer plans must have an actuarial value of 60%, which is the percentage of expected costs covered

by a plan.

Many, perhaps most, health care plans have actuarial values closer to 80%, experts say.

“Some employers might slim down their plans’ value” to offset the added costs of expanding coverage, Mr. Kahle said.

Yet another potential approach for employers would be to expand coverage, but reduce the portion of the premium they pay for family coverage because PPACA’s affordability penalty applies only to self-only coverage. Under final Internal Revenue Service rules, an employer would be liable for a \$3,000 penalty for each affected employee if self-only coverage exceeds 9.5% of their income.

“Perhaps you subsidize employee coverage more and family coverage less,” said Tim Nimmer, chief actuary in Denver for Aon Hewitt’s health and benefits practice.

To avoid the costs of opening

their health care plans to part-timers working 30 hours a week or paying a \$2,000 per employee fee if they don’t, employers could reduce employees’ hours to make them ineligible for employer-sponsored coverage.

But that approach has its downsides. In tight labor markets, “You just might not have enough people,” said Mercer’s Mr. Richards.

Still, all employers face higher health care reform law-related costs next year.

For example, employers will be liable for a \$63 fee for each person enrolled in their health care plans, while insurers, prescription drug and medical device manufacturers will be liable for new fees whose costs they may try to pass on to their customers.

“I don’t see anything that will dampen cost increases” said Helen Darling, president of the National Business Group on Health in Washington.

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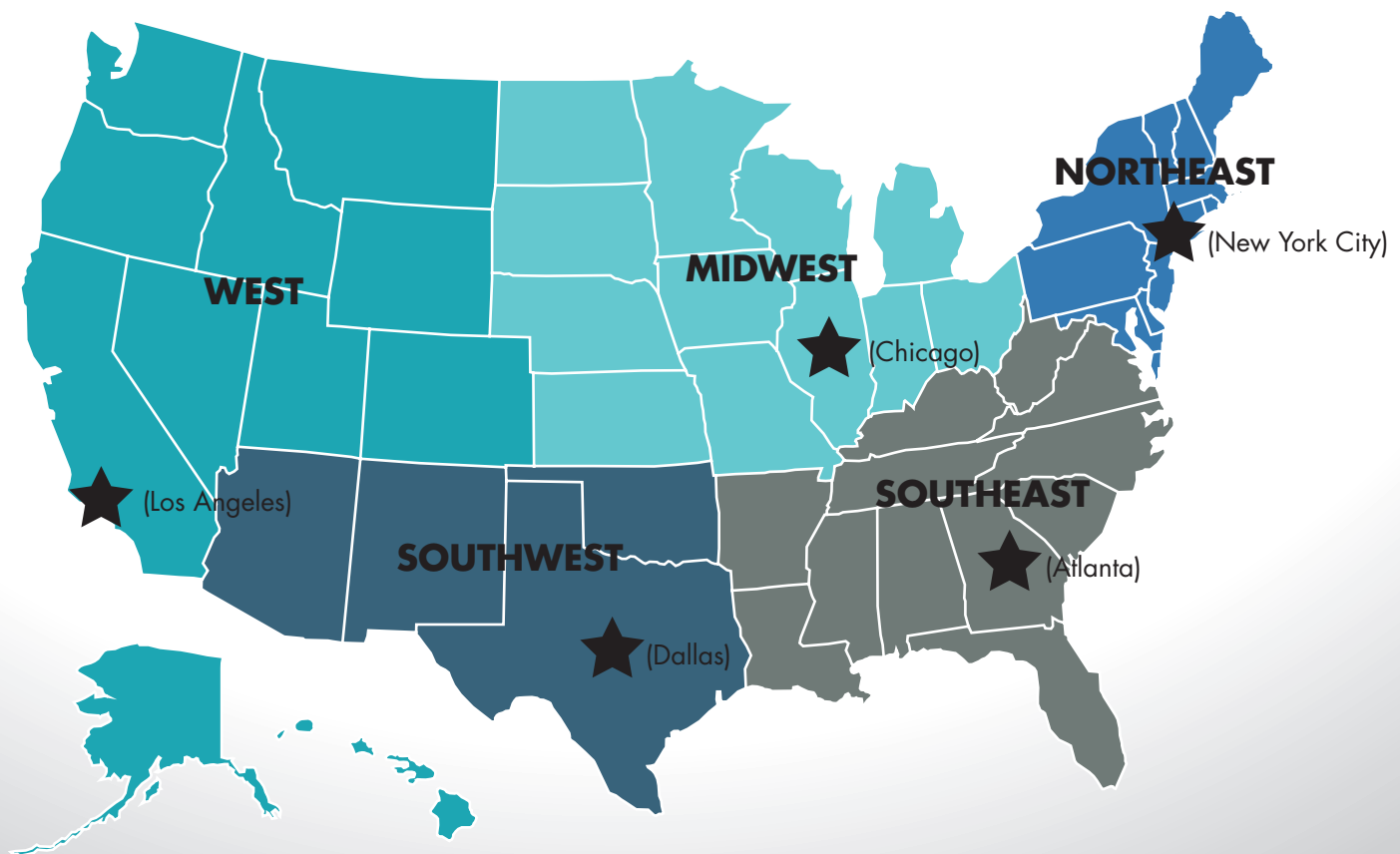
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Golf-carting retirees fume over insurance

Rising insurance premiums are on a collision course with the “need for speed” of some golf cart-driving Florida retirees. According to the Orlando Sentinel, residents in a retirement community known as The Villages are rebelling against the rising cost of golf cart insurance.

State law requires “low-speed vehicles” that can exceed 25 miles per hour to register and obtain liability insurance, the premiums of which can cost as much as \$600 annually, the paper says. According to the paper, residents have flocked to the souped-up version of the traditional golf cart in order to run errands and access stores and restaurants outside the dedicated cart paths of their retirement communities, often crossing public roads and highways to do so.

After some lobbying from the leisure community leadfoots, a state representative has agreed to co-sponsor a bill that will enable the cart owners to avoid the insurance costs and registration fees, if they agree to install a device that will mechanically limit their cart’s speed to 20 mph.

Heat in the kitchen has bakers burning

A Kentucky baker at war with a restaurant over the naming rights of a pie has sent the two racing to the courts.

Louisville, Ky.-based Kern’s Kitchen Inc., maker of the Derby-Pie, sued Shelbyville, Ky.-based Claudia Sanders Dinner House Inc. last month for calling its chocolate nut pie by the same name, according to court documents.

Since 1954, Kern’s Kitchen has used the trademark “Derby-Pie” on products sold nationwide. The chocolate nut pie baked exclusively by Kern’s Kitchen is sold to restaurants nationwide and is one of the bakery’s most popular items.

In the suit, filed in U.S. District Court in Frankfort, Ky., Kern’s Kitchen alleges trademark infringement on the part of Claudia Sanders Dinner House, a restaurant founded by the wife of KFC Corp. creator Col. Harland Sanders. Kern’s Kitchen claims that the restaurant in Shelbyville refers to its chocolate nut pie as “Derby-Pie.”

“We take our name and our brand very seriously. We can’t allow our name to get out of our hands,” John Rupp, president of Kern’s Kitchen, said in a statement.

FIGHTING FOR PRECIOUS RIGHTS TO ‘HOBBIT,’ ‘LOTR’ GAMES



AP PHOTO

Warner Bros. is fighting to license Tolkien’s novels to video game makers.

While video games were not even invented at the time J.R.R. Tolkien wrote “The Hobbit” in 1937 and “The Lord of the Rings” in 1949, Warner Bros. Home Entertainment Inc. is fighting for the right to continue licensing the epic fantasy novels to video game and slot machine makers.

The Tolkien estate and book publisher HarperCollins Publishers L.L.C. filed a lawsuit last November in an effort to halt Warner Bros.’ sale of licenses for the use of “LOTR” and “Hobbit” themes and characters to video and gambling game manufacturers. Their suit claims Warner Bros.’ sale of such licenses goes beyond the terms of its merchandizing contract with the Tolkien estate, originally drawn up in 1969. In a countersuit filed March 11 in U.S. District Court in Los Angeles, Warner Bros. claims it would be severely damaged financially, and had already abandoned one multimillion-dollar plan because of the November suit, if it lost the ability to sell those licenses, which it says were sold with full knowledge of Tolkien’s heirs since 1998.

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Crash-for-cash all in the family

There’s nothing like a crash-for-cash insurance fraud scam to bring a family together. That’s apparently the case with the Wrights, a Burnhope, England-based family, seven of whose members are at the heart of a fraud that involved hundreds of faked, fictitious or exaggerated car crashes that led drivers in their county to pay £100 (\$151) extra for their car insurance, according to news reports.

Police and fraud investigators uncovered the scam while monitoring the Wright family as part of an investigation into organized crime in County Durham, according to the news reports. Sixty people have now been convicted for their parts in the fraud. Among the incidents described was one in which a family member bought an Audi with 112,000 miles on the odometer and staged an accident in it near his home in Burnhope. When he made a claim, its mileage dropped to 37,000, making the car much more valuable.

And, then, just to top it all off, he falsely claimed to have suffered whiplash.

“Insurance fraud, particularly the ‘crash-for-cash’ phenomenon, is antisocial. The criminal gangs organizing these scams use the proceeds of insurance fraud to fund other forms of serious crime. By locking the perpetrators up, we minimize genuine threats to our society,” said Ben Fletcher, director of the United Kingdom’s Insurance Fraud Bureau, an organization funded by the insurance industry.

Clothing line snags Yoko in fashion dispute

A New York fashion designer is suing Yoko Ono, claiming Ms. Ono and retailer Opening Ceremony ripped off her designs.

But Ms. Ono, 80, argues in her defense that the designs in question were inspired by her late husband, John Lennon and his sexy body.

According to reports, designer Haleh Nematzadeh says she sent Opening Ceremony pictures of her clothing line “Gonna Walk the Night” and was supposed to meet with the retailer’s photographers in hopes of getting her products in the store’s catalog.

But the company allegedly partnered instead with Ms. Ono to produce clothing that copied her work, although a few changes were made, Ms. Nematzadeh claims. So she filed a lawsuit in a federal court in Brooklyn alleging that her fashion designs had been pilfered.

Her designs feature sheer fabrics with bold handprints superimposed over the crotch and chest areas.

Ms. Ono’s fashions for Opening Ceremony also use sheer materials with a handprint motif. But Ms. Ono has stated her line, named “1969-2012,” came from sketches she made for John Lennon when they were married in 1969.



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Ms. Ono

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