HSA rules may add burden to family coverage / 3

Canada reviewing ban on bank/insurer deals/ 3

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Congress passes pension funding reform

Changes likely to shave billions in contributions

By JERRY GEISEL

WASHINGTON—Stop-gap legislation changing the way employers measure their pension plan liabilities is on its way to President Bush for his signature.

Ending a nearly one-year legislative effort, the Senate last week gave final approval to a compromise measure that will, retroactive to Jan. 1, create a new methodology for valuing plan liabilities.

For 2004 and 2005, employers will value plan liabilities using an interest rate generated by a long-term corporate bond index. Within days, the Treasury Department is expected to detail how the new index will work and what the rate will be.

The new corporate bond index will replace the current method to value plan liabilities, which uses an interest rate that is 105% of the four-year weighted average of the yield on the 30-year Treasury bond.

This change, actuaries say, will boost the interest rate to be used by roughly one percentage point, a change that will shave billions of dollars in contributions employers otherwise would have had to make to their pension plans during the next two years.

Those savings will largely result from the higher interest rate assumption reducing the value of plan liabilities so that funding levels don't fall below a floor that, under federal law, triggers a significant acceleration in contributions.

And even if the higher interest rate doesn't prevent plans from slipping to below the point where so-called "deficit reduction contributions" are required, the higher interest rate assumption may keep plans above a level where the DRC bite is even worse.

"Plans are less likely to be pushed into DRC, and if they are in, they won't be in as deep," said

See **BILL**/page 22

Workers comp surcharge for terrorism risks sparks debate

By ROBERTO CENICEROS

Several states are disputing American International Group Inc.'s method of calculating rates for terrorism exposure under workers compensation policies, charging that the insurer's approach leads to excessive or discriminatory pricing.

Some market observers say, though, that the disputes merely reflect the difficulties of a market seeking adequate pricing for a peril without a loss history. They note, therefore, that AIG's pricing could be fair.

In Tennessee, though, staff members of the state Department of Commerce and Insurance concluded that AIG's rating methodology would force policyholders to pay excessive prices. The department in March rejected an AIG rate filing.

Tennessee Insurance Commissioner Paula Flowers is scheduled to hear an appeal in June. She has not yet decided whether she agrees that AIG's pricing is excessive, a spokeswoman said.

Similarly, Texas Insurance Commissioner Jose Montemayor early this year reject-

See **SURCHARGE**/page 20

PHOTO: EPA PHOTOS

Recent violence in Iraq, such as this Feb. 15 attack on a U.S. civilian vehicle, is driving up the cost of personal accident coverage for foreign workers.

Accident cover hardens as tension escalates

Iraq violence adds risk

By PETA MILLER

LONDON—Personal accident coverage for civilians working in Iraq is growing more expensive and restrictive following a surge in violence over the past several weeks.

Insurers are becoming increasingly cautious following such incidents as the killing of four U.S. security contractors in the city of Fallujah late last month and calls for violence against U.S. forces by some Iraqi religious leaders, brokers and underwriters report.

But despite the increased violence, personal accident insurance coverage for the reported foreign 15,000 civilians working in Iraq is still available, they say.

Stuart Bowen, the Coalition Provisional Authority's inspector-general, acknowledged security and insurance costs as an issue in his March 30 report to Congress.

"With security cost estimates ranging from 10% to 15% of the current reconstruction budget, and with continued and significant threats to human life being experienced…throughout Iraq, the inability to accurately predict the costs of security—including insurance—raises questions about the need for more funding," the re-

See **IRAQ**/page 21

Late News

Revised asbestos reform introduced in Senate

Senate Majority Leader Bill Frist, R-Tenn., and Sen. Orrin Hatch, R-Utah, introduced an asbestos liability reform bill last week that would create a $114 billion trust fund to compensate victims of asbestos-related illnesses. Under the latest version of the Fairness in Asbestos Injury Resolution Act, insurers would contribute $46 billion, with the rest provided by corporate asbestos defendants. Corporate defendants would pay a further $10 billion if the fund could not meet claims. In addition, the fund would be administered by the U.S. Department of Labor rather than by a court administrator. Last summer, a version of the FAIR Act failed to pass the full Senate.

PHOTO: REUTERS

Sen. Frist

MMC unit Putnam settles trading charges

Putnam Investment Management L.L.C. will pay $110 million in penalties and restitution in two separate settlements in connection with alleged market timing practices by certain portfolio managers. In a settlement with the U.S. Securities and Exchange Commission, the Boston-based money management unit of Marsh & McLennan Cos. Inc. will pay a $50 million civil penalty and disgorge $5 million for violating federal securities laws. All the money will be distributed to investors harmed by the improper trading. In a separate settlement with the Office of the Secretary of the Commonwealth of Massachusetts, Putnam will pay $5 million in restitution to affected shareholders and a $50 million fine to the Commonwealth of Massachusetts.

$21.7 million award to smoker reversed

The California Court of Appeal last week overturned a March 2000 state court jury award of $21.7 million against R.J. Reynolds Tobacco Co. and Philip Morris Inc. The court ordered a new trial on

See **LATE NEWS**/page 23

International

STRESS RULING STRAINS BOSSES

Page 17

NEWSPAPER

HSA deductible rules may lessen plans' appeal

Backlash over family coverage a concern, some say

By JERRY GEISEL

Deductible arrangements for insurance plans linked to new health savings accounts could reduce the appeal of the plans for some employers.

Central to the issue are the so-called "embedded deductibles" in family coverage. Under the federal law authorizing the HSA-linked plans, the structure of such deductibles could create situations in which employees with family coverage have less insurance coverage than they had thought.

As a result, employers, fearing employee backlash, may be reluctant to offer the HSA-linked plans, some consultants say.

Insurers offering the plans, though, say the issue is minor and has had little, if any, impact on employer acceptance of the plans.

But all agree that employers that intend to offer HSAs need to be aware of how the embedded deductibles would affect coverage and must communicate the coverage implications to employees.

Under law, health savings accounts are funded through tax-deductible contributions made by employers or employees or both and are tapped to pay for uncovered health care expenses. An HSA must be linked to a health insurance plan with a deductible of no less than $1,000 for individual coverage and $2,000 for family coverage.

The law, though, requires employers to structure, in some cases, deductibles for family coverage in a way that may differ from what they or their employees are used to.

In more traditional plans, an overall deductible of, for example, $1,000 or $2,000 would be set for family coverage. Additionally, such plans typically use a per-person—or embedded—deductible, which often is equal to the smaller deductible for individual coverage.

See HSA/page 21

Government reviewing policy on big bank/insurer deals

Canada mulls M&A change

By GLORIA GONZALEZ

OTTAWA—Canadian risk managers are divided on whether they would benefit from a proposal to lift a federal ban on mergers between large banks and insurance companies.

While some risk managers say such combinations could bring needed capacity to the Canadian property/casualty insurance market, others argue that bank/insurer mergers would primarily affect personal lines business.

The Department of Finance Canada is reviewing its policy on several issues relating to bank merger applications, including whether to remove the restriction on so-called "cross-pillar" mergers. Such deals involve mergers between different types of financial institutions, such as large banks and insurance companies.

The department agreed to review the policy after the issue arose during 2003 hearings of the Senate and House of Commons' finance and banking committees.

The government's ban on cross-pillar mergers has been in place since 1999. It stems from legislation enacted that year that allowed federally incorporated mutual life insurers to demutualize into stock companies, which made them potential targets for acquisition.

The issue of whether the ban should continue came to the fore in 2002, when reported merger talks between Toronto-based Manulife Financial Corp. and the Canadian Imperial Bank of Commerce stalled because of the government ban.

Banks and insurance companies generally are on opposite sides of the debate.

Banks support lifting the ban on cross-pillar mergers because such deals would allow them to broaden their growth opportunities and be more competitive in the global financial services marketplace, the banking industry stated in submissions to the Department of Finance, which has sought comments on the proposal.

"It is our view that government should remove the ban on mergers between banks and insurance companies and the limitations on the sale of insurance through bank branches to assure that the market is open to the fullest possible competitive pressures," the Toronto-based Bank of Montreal said in its submission.

Most insurers and brokers, however, generally support retaining the ban, arguing that its elimination could result in greater industry consolidation that would limit consumer choice and create a competitive threat to the current agent/broker distribution channels.

"If banks were permitted to acquire insurers, it could lead to the end of an independent insurance industry," Winnipeg, Manitoba-based Great-West Life Assurance

See MERGERS/page 11

PHOTO: NEWSCAST

Lloyd's of London CEO Nick Prettejohn, left, and Chairman Lord Peter Levene have emphasized the need for syndicates to remain disciplined in their underwriting.

Hard market, soft losses fuel $3.38 billion profit at Lloyd's of London

By SARAH VEYSEY

LONDON—Lloyd's of London reported a marketwide profit of £1.89 billion ($3.38 billion) for 2003, as insurers in the market continued to benefit from higher rates.

The 2003 result was more than double the £834 million ($1.33 billion) profit that Lloyd's reported in 2002, which was the first year since 1997 that the market had reported a profit.

The 2003 results were "very strong," said Nick Prettejohn, Lloyd's chief executive officer. But he stressed the importance of continued underwriting discipline, noting that even though "trading conditions remain attractive…2004 is a year of choice, not complacency."

Lloyd's Chairman Lord Peter Levene echoed this view, noting that Lloyd's Franchise Board, which monitors syndicates' business plans, is in discussions with syndicates about their plans to remain profitable when rates fall.

The profit for 2003 stemmed mainly from continued hard market conditions and relatively light losses, Lord Levene said.

Lloyd's combined ratio for 2003 was 90.7%, down from 98.6% in 2002. The 2003 ratio would have been even lower had the market not needed to boost its reserves, Mr. Prettejohn noted. Lloyd's in 2003 saw a £545 million ($975.6 million) reserve boost primarily related to U.S. casualty business written between 1997 and 2001, he said.

Standard & Poor's Corp. said in a statement that Lloyd's 2003 result was slightly better than the rating agency's expectations and was due to "the very strong pricing environment and the low level of catastrophe losses recorded by the market in 2003."

See LLOYD'S/page 22

Inside Business Insurance

Canadian employers face alcohol risks

Court rulings have broadened Canadian employers' alcohol-related liability and limited the availability of coverage. Page 4

Pension funding level rises in 2003: Survey

Investment returns helped boost the average funding level of large U.S. employers' plans in 2003. Page 4

You are what you eat, and you choose it, too

Paul Winston ruminates on the issue of obesity and lawyers' and insurers' response to it. Page 6

Pension reform bill only a first step

Passage of pension funding changes, while critical, is only a first step in reforming pension rules, an editorial says. Page 8

Willis buying 50% stake in Chinese brokerage

Willis Group Holdings Ltd. is buying a 50% equity stake in Chinese insurance broker Shanghai Pudong Insurance Brokers Ltd. Page 17

Online

• The **Datebook** calendar lists upcoming industry seminars and meetings and allows you to add info on your own event.

• Searchable **directories** of all the listings of industry vendors found in *BI*'s Market Sourcebook.

• New **Opinion Poll** for readers: Should the stop-gap measure Congress passed last week to allow employers to use through 2005 a corporate bond index to value pension liabilities be made permanent?

Departments

Advertiser Index 22
Business Resources 16
Comings & Goings 16
International 17
Legal Briefs 10
Letters 8
Opinions 8
Perspectives 10
Professional MarketPlace 18
Ticker 23
Paul Winston 6
World Updates 17

REPORTING ON CORPORATE RISK AND EMPLOYEE BENEFIT MANAGEMENT NEWS.

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BI 04-12-04 A 4 4/9/04 4:53 PM Page 1

Many employers still not ready to meet HIPAA deadline

By JOANNE WOJCIK

Many small and midsize employers likely will not meet the April 14 deadline for complying with the privacy standards of the federal Health Insurance Portability and Accountability Act, health plan experts say.

While large employers usually employ benefit consultants that ensure they comply with federal standards like HIPAA, most smaller businesses do not, making them vulnerable to potential violations.

But even though most large employers are now in compliance with the HIPAA privacy standards, they also were hard-pressed to meet their deadline last April, health plan experts acknowledge.

In fact, some large employers took advantage of the later deadline by claiming they did not meet the threshold of having at least $5 million in annual health plan "receipts," one flex plan administrator said. But many of them were, in fact, in violation because they did not include all of their health plan receipts—both insurance premiums and medical payments made from flexible spending accounts—in the mix, the administrator said.

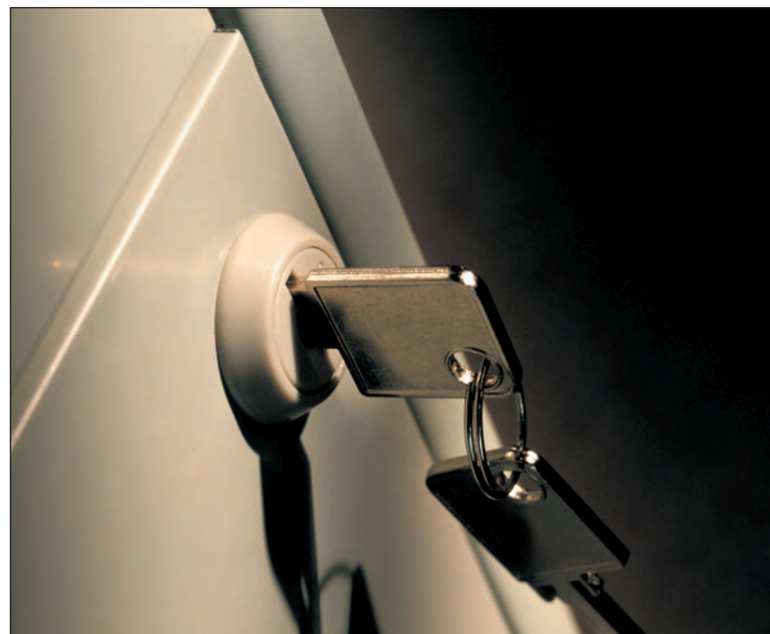
Regardless of which deadline they meet, employers should make sure that they and their health plan vendors have in place measures to protect the privacy of health information or risk the possibility of not only violating HIPAA but also of costly litigation, legal experts warn.

HIPAA, which Congress passed in 1996, includes provisions to encourage electronic transactions as well as new safeguards to protect the security and confidentiality of health information. Most health insurers, pharmacies, doctors and other health plan providers—including large self-funded employers—were required to comply with these federal standards beginning April 14, 2003. Congress gave small health plans, defined as those with less than $5 million in annual "receipts," another year to comply.

Among other things, HIPAA requires health plans, health plan administrators and health care providers to notify patients about how the entities may use private medical information, restrict who has access to such information and give participants access to their medical records and to request corrections.

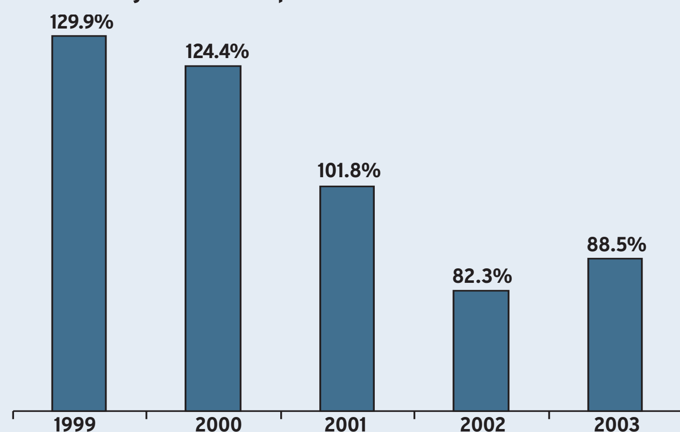
To determine what constitutes a

See HIPAA/page 21



PENSION PLAN FUNDING

Average funding levels of defined benefit plans sponsored by the 100 largest U.S. companies



Source: Milliman USA

Investment returns boost funding level of pension plans

By JERRY GEISEL

Better-than-expected investment returns helped boost the average funding level of large U.S. employers' pension plans in 2003, but that level remains well below where it stood a few years ago.

On average, defined benefit plans offered by the 100 largest U.S. public companies were 88.5% funded in 2003, up from 82.3% in 2002, according to a new survey by Milliman USA that was released last week.

That improvement in plan funding stemmed largely from a 19.6% average return on assets, which was more than double what employers expected to earn, the survey found.

An increase in employer contributions also helped boost the funding level. Last year,

See MILLIMAN/page 6

Errors & omissions

- Based on erroneous information supplied to *Business Insurance*, a March 29 article incorrectly stated that Resources for Living, an employee assistance program provider, was founded by Sam Walton, the founder of Wal-Mart Stores Inc. RFL is a privately held company founded in 1988 as a result of a request by Mr. Walton to provide EAP services to Wal-Mart employees. Neither Wal-Mart nor any member of the Walton family has a business interest in RFL. RFL continues to provide EAP services to Wal-Mart's employees nationwide.
- Due to an editing error, Chicago-based Aon Corp.'s 2003 brokerage revenues were incorrectly reported in a March 8 article. The correct brokerage revenues figure, which excludes investment income, is $6.79 billion, an increase of 14.8% over the prior year.

Canadian courts drawing hard line

Expansion of liquor liability sobering trend for employers

By GLORIA GONZALEZ

Canadian risk managers say a spate of court rulings holding employers responsible for alcohol-related incidents involving their employees has broadened their liability and made it tough to obtain related coverage.

The number of Canadian insurers writing alcohol liability risks has shrunk, and the few that do offer the coverage often impose strict terms and high rates, risk managers say.

Canadian law allows a person injured in an alcohol-related incident to seek compensation from the person or entity that sold or provided the alcohol, legal experts say. Such

claims number in the hundreds and have increased sharply in Canada during the last 30 years, and several of the most controversial cases have involved employers, according to Robert Solomon, professor of law at the University of Western Ontario and national director of legal policy for Mothers Against Drunk Driving Canada.

Unlike their U.S. counterparts, Canadian courts have demonstrated a firm resolve to hold employers responsible for drunken incidents involving their employees, he said. "Alcohol-related civil liability has always been broader in Canada than in the United States," Mr. Solomon said.

A case in 1996 established the principle that a Canadian employer may be held liable for providing or making alcohol available to intoxicated individuals who subsequently injure themselves or others. In *Ja-*

See CANADA/page 20

Senate bill would legalize Canadian drug reimports

By GLORIA GONZALEZ

WASHINGTON—Sen. Charles Grassley, R-Iowa, has introduced legislation that would allow U.S. consumers to legally buy prescription drugs from Canada.

The bill, the Reliable Entry for Medicines at Everyday Discounts through Importation with Effective Safeguards Act of 2004, would shut down unregulated reimportation programs and require the U.S. Food and Drug Administration to establish a new system within 90 days.

The bill calls for creation of a system that would allow individuals, pharmacies and drug wholesalers to buy qualified drugs for import to the United States from foreign exporters who register with the FDA.

To register, a foreign exporter must demonstrate compliance with safety measures, submit to the jurisdiction of U.S. courts and take other steps to verify the safety of its drugs. A user fee charged to registered foreign exporters would provide the financing needed for the FDA to register and oversee foreign drug exporters and ensure the safety of imported drugs.

Sen. Grassley

The U.S. Food, Drug and Cosmetic Act bars anyone other than the original manufacturer from reimporting prescription drugs into the United States. However, the 2003 federal Medicare prescription drug law allows the Secretary of Health and Human Services to issue waivers to individuals for drug reimportation if safety standards are met.

Several U.S. state and local governments have started drug reimportation programs to help curtail costs. Prescription drugs generally cost 30% to 80% less in Canada due to government-imposed price controls.

BI 04-12-04 A 6 4/9/04 4:33 PM Page 1

Coverage dispute likely to go to jury April 19

Broker says he was told of policy switch in July

By GLORIA GONZALEZ

NEW YORK—The final witness in the World Trade Center insurance coverage trial testified last week that he was told in July 2001 of a switch of the WTC property program to a Travelers Property Casualty Corp. form from one supplied by his company, Willis Group Holdings Ltd.

Willis official Nicholas Dunlop testified that Timothy Boyd, a Willis assistant vp who was in charge of the WTC insurance placement, told him on July 17, 2001, that the Travelers form would be used on the WTC program. Mr. Dunlop also said Mr. Boyd reiterated that the program was bound under the Travelers form during a conversation that took place on the day of the Sept. 11, 2001, attacks.

However, Mr. Dunlop also testified that he did not direct any of his Willis colleagues to inform underwriters that the Travelers form would be used as the basis for the coverage. Mr. Dunlop, who is now based in London as Willis' director of global markets, was head of the property insurance practice in New York at the time of the attacks.

WTC leaseholder Silverstein Properties Inc. and a dozen of its insurers are entering the final stages of a trial in a New York federal court to determine whether the WTC's $3.55 billion property program is governed by the Willis form—known as "Wilprop"—or by the Travelers form.

Insurers, led by Swiss Re, say they are bound by Wilprop, which was included with Willis' original underwriting submission and which a federal appeals court has already ruled would treat the Sept. 11 terrorist attacks as a single event.

Silverstein, however, argues that it was in the process of switching the program to the Travelers form in July 2001 and that Swiss Re and the other insurers either knew of

See TRIAL/page 23

Milliman: Pension fund levels up

Continued from page 4

surveyed employers pumped $56 billion into the plans, up from $33.8 billion in 2002. General Motors Corp. was responsible for much of the increase in contributions, funneling about $19 billion into its pension program, compared with $5.2 billion in 2002.

Despite the improvement in 2003, plans' average funding level is nowhere near that of a few years ago, when the roaring equities market led to spectacular investment results. For example, in 1999, surveyed employers' plans were, on average, 129.9% funded. Until last year's modest improvement, plan funding levels had fallen annually since 1999.

"It was a great year, but there is a lot of ground to catch up," said John Ehrhardt, a Milliman consulting actuary in New York.

While 19 of the 100 surveyed employers had overfunded plans—up from 12 in 2002—there were 40 such employers in 2001 and 80 in 2000.

Despite last year's nearly 20% gain on investments, the plans have earned a paltry average annual return of 1.9% since the end of 1999.

And even though total assets held by the plans increased by more than $140 billion in 2003, to $879.7 billion, plan assets still are well under the 2000 level of $927.4 billion. The drop is in large part a reflection of how the three-year slump in the equities market battered pension plans.

> **'It was a great year, but there is a lot of ground to catch up.'**
>
> *John Ehrhardt*
> *Milliman USA*

Meanwhile, plan liabilities continue to climb as the multiyear slide in interest rates has boosted the value of plan liabilities. At the end of 2003, the plans' projected benefit obligations totaled $993.8 billion, up 11.9% over 2002.

Still, more employers reported overfunded pension programs last year than in the year before. For example, paper manufacturer MeadWestvaco Corp. of Stamford, Conn., reported a 2003 plan funding level of 124.7%—the highest of the employers in the survey—based on Milliman's review of their financial reports.

Other employers with overfunded plans included Dominion Resources Inc., a Richmond, Va.-based power company whose pension program at the end of 2003 was 120.1% funded; Bank One Corp. in Chicago, with a funding level of 118.8%; and General Electric Co. of Fairfield, Conn., with a funding level of 116%.

GM's pension program showed the greatest improvement in funding, aided by its $19 billion contribution. GM's $102.4 billion projected benefit obligation was 91.6% funded at the close of 2003. In 2002, GM's then $91.7 billion projected benefit obligation was only 72.4% funded.

Copies of "2004 Survey of 100 Large U.S. Companies with Pension Plans" can be found at available at www.milliman.com.

Calling all hot shots

BI seeks nominations for 40 under 40

CHICAGO—*Business Insurance* is seeking nominations for its upcoming "40 Under 40: People to Watch" feature, a roundup of men and women who are doing extraordinary work in the commercial insurance industry before celebrating a 40th birthday.

Anyone working in the commercial insurance industry serving the buyers of risk and benefits management services, and whose birthdate falls after Oct. 4, 1964, is eligible for consideration. Candidates may nominate themselves or may be nominated by someone else.

There is no formal nomination form. To nominate someone, send a 250- to 300-word statement detailing the nominee's qualifications to: 40 under 40, *Business Insurance*, 360 N. Michigan Ave., Chicago, Ill. 60601-3806. Please include a resume, if possible. Be sure to indicate the candidate's date of birth.

Nominations also may be e-mailed to *biweb@businessinsurance.com*, as long as "40 under 40" is in the subject line.

The deadline for nominations is Aug. 2. Winners will be featured in the Oct. 4 issue of *Business Insurance* and on *www.businessinsurance.com.*

Paul Winston

In for a penny, in for a pound

I miss the good old days, when people's diets were their own business; unless they insisted on eating sauerkraut in the office, in which case it pretty soon became everyone else's business. But I digress.

These days, our diets are under closer scrutiny than ever, by ourselves, by our government, by attorneys and by our restaurant chains.

Our self-scrutiny is evident in the millions of people trying new fad diets to lower their weight and raise their health. First we dropped fat from our menu, then sugar, now other carbohydrates. I believe that leaves us with a rich, nourishing broth of Red Dye No. 7 and sodium nitrites. I predict the next dietary flash in the pan will be the Air Fern Diet, in which no food or liquids of any kind are consumed, yet people somehow sustain a pulse.

Restaurants are scrambling to adjust their menus in a bid to ensure that however people's tastes change, they'll still buy lots of what's offered. In this fickle environment, it's a tough time to be a haggis manufacturer, an Einstein brother or a pasta maker.

Paul Winston

Governments now view obesity as a health epidemic, noting the many health problems associated with being fat, from hypertension to high cholesterol to diabetes and many other ailments. Several states are considering legislative and regulatory approaches to try to reduce the incidence of obesity, especially among children.

And the food we eat and its consequences are also in the legal spotlight, as lawyers seek extra helpings of food-related booty. McDonald's was the first easy target for this effort, but it won't be the last, given the dollars at stake. After all, the connection between eating and obesity is undeniable. With society's growing alarm at the epidemic of obesity in the United States and other developed countries, it's only a matter of time before a court of law concludes that obesity is unhealthy; ergo, whatever causes obesity must be worth a side order of punitive damages.

This argument still faces a long uphill battle, though, before attorneys get their cake and eat it, too. That's because, currently, the more-persuasive argument is that people—until they are force-fed a diet consisting solely of Twinkies, foie gras and Coca Cola—have the freedom and responsibility to choose what—and how much—they eat. In other words, most people still believe it's not the grocer's, restaurant's or manufacturer's fault if the consumer can't restrain himself or herself.

Even in Monty Python's famous skit involving Mr. Creosote and the explosive wafer-thin mint, the message is clear that the sumo-esque diner could have avoided his eruptive fate by simply saying "no" to one more tasty tidbit.

The insurance industry has largely focused on the potential cost of obesity-related liability, be it from the cornucopia of lawsuits against food-related companies, or discrimination claims for various failures of size accommodation. Now, though, it is starting to take a closer look at its exposure in the form of higher claims for health-related problems and shortened life spans.

In other words, the insurance industry, which has championed the personal responsibility argument on the tort side, now is taking that philosophy a step further and contemplating making obese people pay more for the choices they make.

Swiss Reinsurance Co. last week released a major study of this issue, "Too Big to Ignore: The Impact of Obesity on Mortality Trends," that is likely to be influential in this area, given that Swiss Re is one of the world's largest life reinsurers.

The study notes that obesity is on course to surpass smoking as the leading cause of preventable death in the United States. And the trend of increased obesity in the developed world runs counter to an overall decline in mortality in these same countries. Swiss Re questions whether those increases in life span could have been even greater if not for the mitigating impact of obesity and its attendant health risks.

"The fact that so many public spaces are now 'tobacco-free' zones is the result of education, persuasion and—in many cases—tough action. Tackling obesity likewise calls for a combined and determined effort from all parties: governments, the medical profession, food manufacturers and consumers need to be alert to this emerging risk and play a role in confronting it. For life insurers—who are not immune to the effects of obesity—addressing the problem means keeping ratings and pricing up to date and in line with emerging experience," Ronald Klein, global head of pricing-life and health for Swiss Re, writes in the study's foreword.

Insurers already subject some obese policyholders to tighter underwriting and nonstandard rates. But now that the issue has been put squarely on insurers' plate, expect them to ask for extra helpings.

The good old days, when a person's diet was his or her own business, will soon be gone for good.

Editor Paul Winston can be reached at pwinston@businessinsurance.com.

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American Business Media

Editorial

Pension change overdue

CONGRESSIONAL PASSAGE last week of a stopgap pension funding measure, while critically important, is only a first step on the path to fundamental reform of the nation's pension rules.

The importance of the bill legislators passed last week can't be overstated. Under the measure, employers for the next two years will be allowed to value pension plan liabilities using a real-world interest rate based on the yields of long-term corporate bonds.

That new interest rate methodology will replace one that is based on the yields on the 30-year U.S. Treasury bond. Employers have long argued that it is illogical and unfair to have to value their plan liabilities using a financial instrument that is no longer being issued.

Not surprisingly, since the Treasury Department several years ago stopped issuing the 30-year T-bond, rates have slumped, thereby inflating pension plan liabilities and, ultimately, requiring employers to contribute far more than is necessary to meet plan obligations.

The mandated use of T-bond yields to value plan obligations would have had disastrous long-term consequences for the nation's already-troubled defined benefit plan system. Few employers would want to retain their pension plans if they were forced to contribute funds beyond what is necessary for the plans, when those funds could go to meet so many other corporate needs. It took legislators too long to wake up to that basic fact.

It would be naive to think, though, that the enactment of the interest rate legislation is anything more than a first step to restoring the pension system to good health. More substantive reforms are needed, and some of those reforms are obvious. At the top of the list would be to change a restrictive rule that prevents employers from contributing additional funds to fully funded pension plans.

As the last few years have demonstrated, even considerable pension plan surpluses can quickly disappear when the stock market heads south. Allowing employers to add to plan surpluses when economic times are good would further strengthen plans and reduce the need for employers to contribute to the plans when the economy slides and employers can least afford it.

Congress also has to provide fair rules for the only type of defined benefit plan that has grown in recent years—cash balance arrangements. This is needed to ensure that employers that believe their traditional plans no longer make business sense can remain in the defined benefit plan system.

Just as lobbying by employers was crucial to the passage of the interest rate legislation, their input will be vital in the shaping of long-term pension reforms.

Insurers look ahead in Iraq

AMID ALMOST DAILY reports of attacks by insurgents, we think the insurance industry deserves credit for continuing to underwrite risks in Iraq.

As we report on page 1, personal accident coverage for the approximately 15,000 foreign civilians working to rebuild that war-torn country is getting more expensive. Not only are rates sharply increasing, but underwriters are also tightening terms and conditions.

Following the Sept. 11, 2001, terrorist attacks, most of the global insurance market quickly backed away from covering terrorism-related losses. In the United States, it took the Terrorism Risk Insurance Act, which provides a federal reinsurance backstop for catastrophic acts of terrorism, for the coverage to become widely available again. The price is high, but insurers are not charities.

While a backstop similar to TRIA exists under the Defense Base Act, in which the federal government pays for losses from acts of war or terrorism, insurers that write workers compensation risks in Iraq still face hefty claims.

Noble and humanitarian as the reconstruction may be, not all efforts to rebuild Iraq are necessarily altruistic. As we've noted before, risk and opportunity are sides of the same coin. Businesses stand to make a lot of money when Iraq's infrastructure is restored.

The insurance industry is playing a role in that recovery, and in fact some international insurance leaders are helping to rebuild Iraq's own insurance market. We're under no illusions, though, that this can be done quickly. It will take years for Iraq's economy to become healthy.

But we also think that the groundwork being laid now, with the help of the insurance industry, to make Iraq a stable, self-governing nation will pay big dividends in the future.

Schillerstrom

Letters to the Editor

Captive association rebuts critics

To the editor: The board of directors of the Arizona Captive Insurance Assn. finds it necessary to clarify the record with respect to a number of statements appearing in the March 29 article "Some Offshore Captives Feel Pull of Relocating to U.S. Domiciles."

The article highlighted a panel discussion presented at the Captive Insurance Cos. Assn. International Conference, including comments made by James Landis of Denver-based Opes Group L.L.C. that we feel are inaccurate as reported and, if not corrected, will unfairly show Arizona in a bad light.

From discussions with the captive division of the Arizona Department of Insurance, we have ascertained that the reported remarks are inaccurate in the following ways:

1. The article stated that there were six physician-owned captives that redomiciled from Arizona to Montana. In fact, there were five redomestications from Arizona to Montana, and none was a physician-owned captive.

2. The article also stated that Arizona would not give approval for each of the captives to participate in a risk-sharing pool. While this is correct, the article left out several important points relating to the transaction.

First, we understand that the Arizona DOI was never provided with any information on the offshore risk pool, financials or ownership. The assumption of unrelated risk from unrelated industries from an offshore risk-sharing pool is highly risky and, in our opinion, would have constituted poor regulation. To our knowledge, the most effective captive domiciles do not allow this type of a transaction to be reinsured into captives. Second, while controlled unaffiliated risk is allowable, a captive, by definition, does not insure unrelated risk. The Arizona DOI has said that every effort was expended to assist the captives to "legitimize" the structure through the use of proper onshore legislation.

3. We feel that it is consistent with the Arizona DOI's position that if 51% of the premiums in the captive are not owner-related, then the entity is not a captive but rather a regular insurance company and should be treated as such. Captives should not be established or conduct their business solely for the purpose of tax minimization. Rather, they should be formed as a risk management tool. Congress is currently taking a hard look at captives that fall under either IRC Section 831(b) or 501(c)(15) because of similar perceived abuses over the years.

4. We understand that four of Mr. Landis' five Arizona captives were approved in 2003, which was subsequent to the IRS ruling referenced in the article. Further, we believe that the other captive was ap-

See **LETTERS**/page 15

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CB 04-12-04 A 10 4/8/04 4:28 PM Page 1

Ask a Risk Manager

Path to promotion not always through classroom

Q: With all the educational options available today, what educational strategies should risk managers use to optimize their careers?

A: Money, power and fame. These are three usually unspoken but often-sought-after things in life that frequently drive people's thinking and behaviors regarding their careers. But not always—many people are driven by more-altruistic pursuits; though, clearly, we're all concerned about making a comfortable living.

I start here only because, regardless of underlying motivation, the best strategy for optimizing your career in risk management is built on continuous professional development and (here's a surprise) a broader perspective on the discipline. And so, all these things and more can be achieved, employing such an approach.

As in most areas of life, a good starting point is to define your career goals. Even if you've already set them, make sure they're current and take into consideration changes in the working landscape that defines your world.

Good questions to consider include: Do you demonstrate a sufficient level of curiosity and interest in the new and different? Do you help push the envelope toward the innovative? Are you adapting to change, and what contribution are you making toward positive change? Did you set out to be the top risk professional in your company, or are you satisfied with a specialty within the discipline? What defines the top risk job today for your company vs. what characteristics it might have tomorrow? Are you comfortable in your niche, or should you aspire to bigger things with more challenge and diversity, and, often, more personal risk? What course have you followed up 'til now that defines your efforts at making yourself more competitive in the risk management work marketplace? How might that have to change based on the rapid way in which business is changing daily?

All of these and more are relevant questions, the answers to which will define your career strategy, tactics and, ultimately, your level of success.

Not to be forgotten in the quest to define needs and goals are those that must center on the needs of the company you serve. Obviously, if you're not getting close to understanding and meeting the needs and goals set forth by your company, you are likely out of sync with what matters most to your success. And so, regardless of what your answers may have been to the many questions posed above, you need to determine what your company values most and, thus, what defines *its* success. Once this is clear, you can then begin to assess what skills you bring to the table that most closely match those criteria and measure the gap that always exists, small or large, between you and it.

No matter what area of work in which you practice, there are fundamentals that, in many ways, often become the more critical criteria that define success for individuals. These fundamentals include the obvious and, for some, the not so obvious.

In the obvious category, we have: the ability to speak and write effectively; the ability to organize and prioritize well; the ability to interact with tact and effectiveness with all types of people, especially the less likeable; and the ability to get things done in a timely and efficient fashion. Any career strategy needs to ensure these skills are both present and enhanced regularly. Sharpening these skills is critical to standing out of the pack as you find yourself continuously being assessed by others for potential and capability. You can secure training for many of these skills from numerous sources that are widely available and almost always easily funded by employers who recognize their core value.

This is a great area of mystery for so many risk professionals. Many have assumed for too long that these skills are the ticket to successful ladder climbing. In fact, however, they may be more of a burden than a help, especially in the insurance field.

While there is no question you need to finely hone your technical skills and continuously add to them in related areas that can be leveraged in your core area of responsibility, a common mistake is to assume that having done so will be viewed as the key to upward mobility. In fact, most employers assume you are technically competent, if not technically excellent, in areas for which you are fundamentally responsible.

They also generally believe that upward mobility is more a function of the soft skills, many of which fall into the leadership category and which are not necessarily subject to easy mastery through training and seminar courses.

Here are some examples of these extremely important softer skills that are so highly valued in senior-officer-level position holders:

- Understands what needs to be done, despite unclear and often-ambiguous direction and makes it happen.
- Applies knowledge, skills and experiences effectively, practically and efficiently.
- Actively listens with focus and attention to nuances.
- Is able to manage conflict and ambiguity effectively.
- Understands the culture and the strategic direction of the entity and how to link its priorities to personal results and outcomes.
- Is able to convert knowledge and experience into desired results.
- Finds and leverages opportunities others have missed.
- Acts as a role model for others, modeling the values of the culture consistently and regularly.
- Strives for excellence in all areas of work and life.
- Is able to leverage cross-functional expertise to achieve enterprise-level goals.
- Understands work/life balance and practices it.

All of these elements of softer skills must be acquired to ascend very high in most organizations. Acquisition and mastery is no simple task. In many ways, early orientation in upbringing is where the groundwork for these gets laid first and fundamentally. But, origins and upbringing aside, every risk manager that aspires to more responsibility and rewards must work on achieving these skills.

Beyond the obvious degree and designation programs that tend to focus on technical skills, your best strategy for filling out your skill portfolio is to get yourself a mentor/sponsor who already has some or most of these traits and seek regular feedback, counsel and redirection. Make sure the individual is not too good a friend—none at all is best—so you can be ensured of objectivity and frankness. These attributes are rare among close friends and yet critical to a successful mentor/sponsor relationship.

Seek out challenging projects and set stretch goals, then make sure you diligently pursue their completion and make sure the results get the attention of the right people. Also: Don't be shy in self-promotion. In many ways, if you don't do it, it often won't get done for you.

Ask A Risk Manager,, Ask A Benefit Actuary and Ask A Casualty Actuary answer written questions from readers on risk and benefits management issues and actuarial problems.

This month's column on risk management issues was written by Christopher E. Mandel, assistant vice president, Enterprise Risk Management, USAA, San Antonio, TX ; former president and current chief risk officer, RIMS.

Address your questions to ASK, Business Insurance, 360 N. Michigan Ave., Chicago, Ill. 60601. Please give us your name, title and employer; however, Business Insurance will consider unsigned letters.

Injury at tournament of client ruled compensable

An employee injured while golfing at a tournament sponsored by the employer's client did not forfeit workers compensation benefits, according to the Missouri Court of Appeals.

Kenneth Graham worked for La-Z-Boy Chair Co. as a supervisor over its interplant shipping department. He worked as a salaried employee and was not compensated for working overtime. His duties required him to arrange for trucking companies to pick up and deliver freight to various La-Z-Boy destinations. Contract Freighters Inc., one of the trucking companies, sponsored an annual golf tournament and extended an invitation to La-Z-Boy. While his participation in the tournament was not mandatory, Mr. Graham wanted to play because doing so would give him an opportunity to meet with CFI employees with whom he spoke via telephone every day on behalf of his employer. Graham participated in the tournament and was paired with a CFI employee. He was injured when the CFI employee lost control of their golf cart and ran into a tree. Mr. Graham applied for and was awarded workers compensation benefits. The employer appealed.

On appeal, the employer argued that Mr. Graham was injured while participating in a voluntary recreational activity and was ineligible for workers compensation benefits. The court said that, while Mr. Graham received benefits in participating in the tournament, including a round of golf and meals provided by CFI, his employer also received a benefit in that Mr. Graham, as a La-Z-Boy supervisor, was able to meet with and establish a better working relationship with CFI representatives. The court said that Mr. Graham and his employer mutually benefited from his participation in the tournament, and, thus, his injuries arose out of and in the course of employment. The court affirmed the award of benefits.

Graham vs. La-Z-Boy Chair Co., Missouri Court of Appeals, Oct. 16, 2003 (BI/04/My.-$10)

Legal briefs

Economic loss not 'property damage' for coverage purposes

Homeowners' alleged losses arising out of the sale of homes found to be built on polluted property were not "property damages" within the meaning of contractors' commercial general liability policies, according to the Supreme Court of South Carolina.

Prior to 1990, American Newland Associates began developing the Summit Development, an upscale multi-use planned residential subdivision, in Columbia, S.C. The developer subdivided the site and sold the sites to several residential contractors. The contractors were covered under CGL policies issued by Auto-Owners Insurance Co. and Owners Insurance Co. The policies covered the contractors for claims arising out of property damage. Subsequently, a number of homeowners who had purchased homes from the contractors in the development sued the contractors, alleging the construction site was previously used by the U.S. Department of Defense as a training site for aerial bombing during World War II and contained potentially hazardous materials. The contractors submitted the defense of these suits to their CGL insurers. The insurers, in turn, brought this suit in federal court, seeking a declaration from the court that the CGL policies did not provide coverage to the contractors. The federal trial court requested the Supreme Court of South Carolina to answer several certified questions, one of which was whether the homeowners' claims for damages of an economic nature based on the diminution in value of their residential properties constituted "property damage" under the CGL policies.

The Supreme Court of South Carolina concluded that the homeowners' claims did not allege any physical injury that met the definition of "property damage" provided by the CGL policies. According to the court, the homeowners claimed solely economic damages, particularly the diminished value of their property, as a result of the contractors' knowing sale of homes located on property containing hazardous materials. Thus, the court said that there was no property damage and, therefore, no covered occurrence.

Auto-Owners Ins. Co. vs. Brazell Builders, Supreme Court of South Carolina, Oct. 20, 2003 (BI/05/My.-$10)

These abstracts were prepared by Mayo H. Stiegler. Copies of these decisions are available, at $10 each, by sending a check payable to Mayo H. Stiegler, to Business Insurance, 360 N. Michigan Ave., Chicago, Ill. 60601-3806. Provide the listed number for each opinion ordered.

CB 04-12-04 A 11 4/8/04 4:28 PM Page 1

Mergers: Canada reassesses bank-insurer ban

Continued from page 3

Co. argues in its submission to the Department of Finance.

Although the government is considering easing the restrictions on cross-pillar ownership, for now it is leaving in place restrictions on the ability of banks to sell insurance through their branch locations. But if mergers are allowed, the government will likely be pressured to remove the insurance networking restrictions that apply to banks, insurers fear.

"If banks and large demutualized insurers were allowed to merge, the resulting institutions would be so large that their influence on public policy and opinion could be very powerful," Great-West said in its submission.

Insurance companies view the proposal to lift the merger ban "as a threat," said Robert Patzelt, group corporate counsel and risk manager for Bedford, Nova Scotia-based Scotia Investments Ltd., which is not related to ScotiaBank. "It is more consolidation and competition, albeit in a new and different form."

If the merger ban were lifted and some insurance companies merged with banks, independent insurers would be at a competitive disadvantage, he said. "The standalones would be competing with a financial institution that offers banking, loans, insurance, etc.," he said. "It's a bit like the traditional store vs. Wal-Mart."

Risk managers, though, are divided about the impact that eliminating the ban would have on their ability to obtain commercial lines coverage.

Several risk managers say they would welcome lifting the ban because it would increase competition in the Canadian insurance market.

"I anticipate we will have more capacity, more underwriting, and it will be healthy for the risk management community," said Joe Hardy, director of risk management and insurance for Toronto-based Hudson Bay Co.

There is a strong need for more commercial insurance capacity in Canada, risk managers say.

The lack of capacity, caused in part by insurer withdrawal from riskier lines since the terrorist attacks of Sept. 11, 2001, has hampered risk managers' ability to secure needed coverage, some risk managers say.

If banks were allowed to become more involved in the insurance industry, they might be willing to fill some of those coverage gaps, because banks generally have greater capital assets than insurers, said Paul Barlow, manager of revenue and risk management for the Greater Vancouver Transportation Authority. "They have the capital to back them if the returns are there."

Mr. Barlow said he encountered problems when he tried to obtain $300 million Canadian ($228.5 million) in liability coverage for his company's operations. He said he was forced to seek coverage in the U.S and European markets because Canadian insurers were unwilling to offer comprehensive coverage that would include risks such as terrorism.

Banks entering the insurance field probably would initially focus on offering traditional property/casualty coverage, but they could eventually expand to other lines, such as directors and officers liability coverage, risk managers suggest.

"I think they will venture out, taking that risk. They will be more cautious to start, but they will get more aggressive as they see the need and opportunity to capitalize," Mr. Hardy said.

Mr. Patzelt, though, said that he believes the impact on risk managers of bank/insurer mergers would be negligible. That's because banks are more likely to enter the personal lines market than the business insurance market, he said.

"I think this is more of a consumer insurance issue vs. one that deeply affects risk managers as commercial buyers," Mr. Patzelt said. "I think banks are targeting the retail consumer market and maybe small business more than the traditional business/commercial/industrial risk and specialty markets like D&O and E&O," he said.

Although Canadian banks support lifting the ban on cross-pillar mergers, it is unclear how eager they would be to merge with insurance companies.

Mergers with insurance companies may not be an attractive option to banks if the Canadian government does not also lift its restrictions on the banks' ability to sell insurance products through their branch networks, market observers say. In addition, recent financial problems in the insurance industry may have lessened some of the enthusiasm the banks had for cross-pillar mergers, they add.

"The star shine has left their eyes to a degree as to the insurance business itself," Mr. Patzelt agreed. "The rates of return in banking are far superior to insurance, so where would you focus your capital and energies?"

The Department of Finance intends to issue its decision by June 30, but the soonest such mergers could take place would be Oct. 1. The government has said it would not consider specific mergers involving large financial institutions until completion of a three-month transition period following publication of its decision.

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Letters to the Editor

proved during the last week of December 2002. We question the wisdom of continuing to form captives in Arizona if the assumption of unrelated risk was a critical component to the successful qualification of the captives as tax-exempt entities.

5. It should be noted that the Arizona DOI did, in fact, cooperate fully with the Montana Department of Insurance, working as quickly as possible to release the captives within the proper regulatory procedures and guidelines. Correspondence between the Arizona DOI and the Montana DOI verifies this fact.

It is regrettable that *Business Insurance*'s reporter did not contact anyone in Arizona to verify Mr. Landis' assertions before publishing her article. We are confident the complete facts support the soundness of Arizona's approach.

As a final note, it is our position that a captive domicile's desire to grow its captive industry should not take precedence over sound regulation. This has been Arizona's position from the beginning, and continues today!

Board of Directors
Arizona Captive Insurance Assn.
Gold Canyon, Ariz.

Editor's note: The March 29 article incorrectly reported that the captives managed by Opes Group L.L.C. and referenced in point 1 above were physician-owned facilities. None of the captives is physician-owned.

Wellness programs face changing demographics

To the editor: Regarding the March 29 article "Wellness in Favor as Employers Aim to Lower Costs," author Joanne Wojcik raised one important issue. Ms. Wojcik writes wellness programs are in vogue not because they lower, or even control, costs, but rather employers are "…willing to try just about anything" to rein in health care costs.

In fact, worksite wellness programs can be viewed as almost quaint in their continued push toward mainstream acceptance.

Today, fewer than 50% of individuals with private health insurance receive that coverage through the workplace. And fewer still work at large corporations, the bastions of worksite wellness programs.

And the reality is even starker when it is recognized that many large companies, such as Home Depot and Wal-Mart, actively promote part-time employment with their corresponding part-time benefits.

Organizations such as the National Business Group on Health and the Institute for Health & Productivity Management are strong proponents of worksite health promotion.

However, these organizations and others believe the reality of the changing U.S. workplace: Employment growth is in small companies and in part-time jobs. One need only look at the demographics of the uninsured population in the United States.

In addition, wellness programs have yet to impact any pooled premium structure. Yet personal success stories such as conveyed in Ms. Wojcik's article are stirring and continue to motivate wellness proponents.

As the author of numerous wellness programs and the architect of the Blue Cross & Blue Shield of North Carolina original member wellness program (1996/7), I fully understand the benefits of wellness activities.

However, attempting to use wellness programs as a premium or even health cost control measure fails to accept the limitations of effective wellness programming and the changing employment market.

Hank Kearney
President
PHM International
Fort Lauderdale, Fla.

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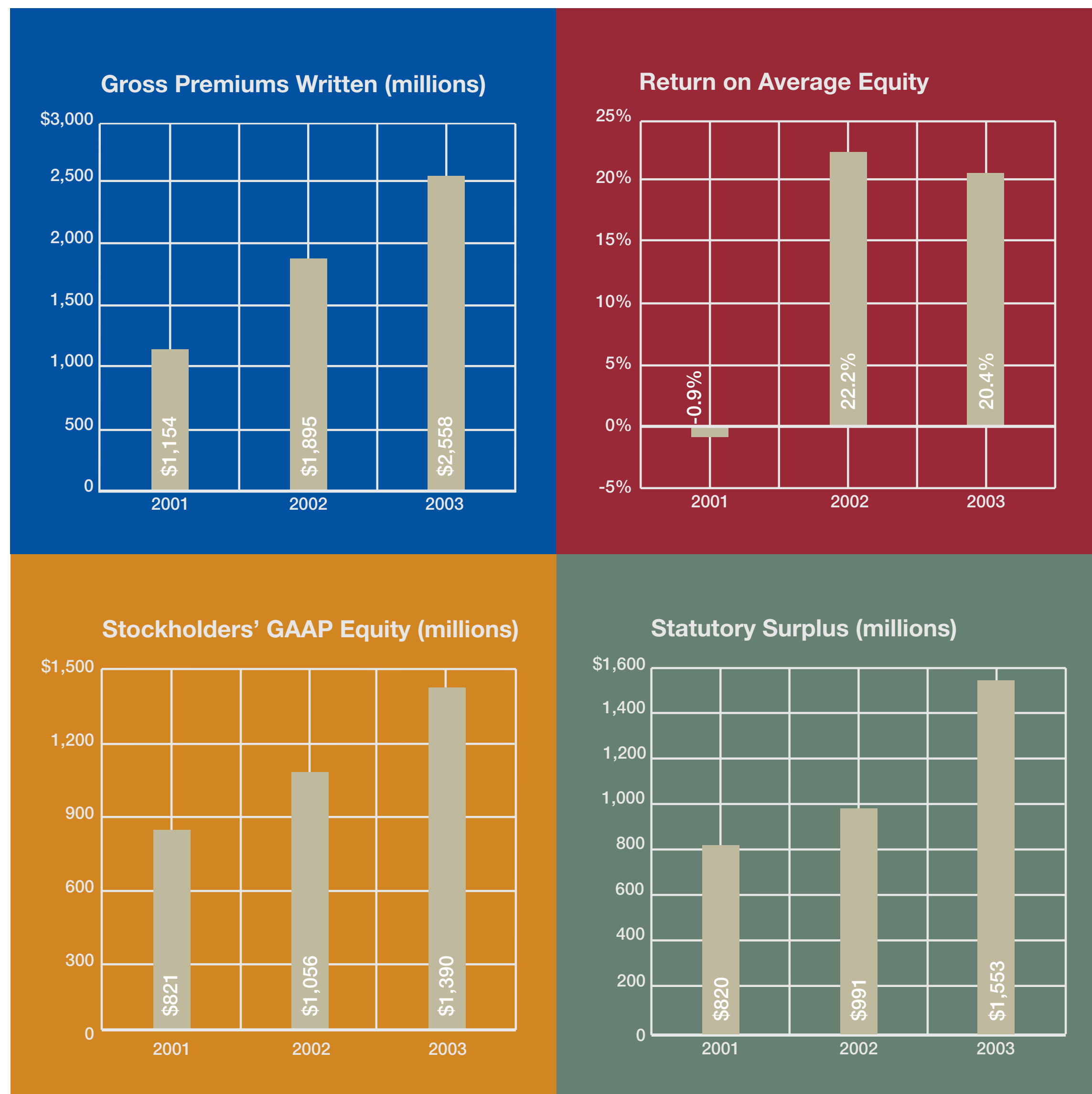

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CB 04-12-04 A 16 4/8/04 4:29 PM Page 1

Commentary

School rule's a joke, but no one's kidding

Junior came home from school the other day with a fascinating story. Nothing unusual about that, per se. Junior often regales me with accounts of his exploits at school.

But he broke new ground when he passionately assailed his middle school's new risk management policy.

Because this occurred on April Fool's Day, I conducted a little fact checking. But the school principal corroborated not only Junior's report but also his analysis that the new policy is harsh on students and could unnecessarily tax the local police.

Essentially, to comply with a year-old Arizona law designed to protect children, the policy bars kids from being kids.

Under the law, which is similar to laws in some other states, schoolteachers and administrators must notify the police about any behavior resulting in physical harm to children.

Dave Lenckus

The law makes sense if it is used to uncover abuse in the home and root out schoolyard bullying, which some experts say leads to school violence.

The problem is that the law is being interpreted to cover any scratch or bump a child sustains.

So, to minimize the risk of landing behind bars, teachers and administrators throughout Junior's school district have decided to "overreport" acts resulting in harm to children, the principal said.

Ironically, though, this strategy could mean that the perps ushered into the back seats of police squad cars would be schoolkids.

I'm not talking about the 12-year-old bully with five o'clock shadow at noontime recess. I'm talking about your own rascally son or cheerleader daughter—especially if they like shooting rubber bands or playing with loose change. That's because, like so many activities that kids find entertaining, rubber-band shooting and a game called quarters can leave marks on others.

Supposedly, any self-respecting rubber-band shooter these days knots together several broken rubber bands to form one large bow. This design gives the shooter far more firepower, which means an accurate shooter can raise a welt on his or her prey.

In the quarters game, contestants must keep a quarter spinning on its edge. The winner gets to shoot the quarter at the losing kid's knuckles, which must be pressed against a tabletop. A quarter fired by a kid who has a quick, powerful finger shot can leave marks on an opponent's knuckles for days.

Criminal behavior? No, just really childish.

And, the principal agrees, though that will not lead to any immediate policy changes, because teachers and administrators are scared.

Junior's principal noted that two Phoenix school officials were jailed recently for allegedly violating the reporting law in how they handled a case in which a female student was humiliated but did not sustain physical harm. Weeks after the girl was touched inappropriately by another student, she reported the incident to the school officials. They then investigated the incident and took what they determined were appropriate disciplinary measures, but they did not call the police.

Cases like that one demonstrate that sound judgment is no longer a viable tool for school officials in this area, the principal said.

So, nowadays, when Junior's principal sees a student with a welt from a rubber-band battle, she contacts the school resource officer that the local police have stationed on campus. When she sees knuckles that were scratched in a game of quarters, the SRO hears about it.

Then the SRO determines whether to file a police report, which the principal said would be unlikely in most cases.

But that's not the extent of the overreporting. There are times the SRO is off campus conducting truancy sweeps. At those times, the school's protocol is not to wait until the SRO returns; the school will call 911.

That is the situation that concerns the principal, because she says she has no idea how a responding officer with whom she has not worked before will handle the situation.

As dumb as all of this is, I cannot blame the schools for trying to protect their teachers and officials from jail time.

But schools should try managing their risk more proactively. How about pressuring lawmakers to amend the reporting law in a manner that discourages parents or their attorneys from needlessly dropping a dime on school officials?

For starters, maybe they should have to write 1,000 times, "I will not be such a nitwit."

Senior Editor Dave Lenckus can be contacted at dlenckus@businessinsurance.com.

Comings & Goings

Insurers

New York-based Mutual of America Life Insurance Co. has made two senior-level appointments.

JoAnn McGrane has been named senior vp, marketing. Previously, Ms. McGrane was senior field vp, national accounts.

James Fergusson has been appointed senior field vp and will be responsible for sales in Michigan and the Toledo, Ohio, area. Previously, Mr. Fergusson was vp of the company's Akron, Ohio, office.

Laura Santirocco has been named senior vp and general counsel for Hamilton, Bermuda-based ACE Overseas General's operations in Asia and Latin America. ACE Overseas General comprises ACE Ltd.'s international property/casualty, accident/health and Lloyd's businesses. Ms. Santirocco, who will be based in New York, was counsel for the Latin American region for ING Americas.

Also at ACE:

John Alfieri has been named regional executive of ACE USA. Before joining ACE, Mr. Alfieri was executive vp and managing director at Willis North America Inc.

Vince McGeehan has been named senior vp, marketing for ACE USA Professional Risk. Previously, Mr. McGeehan was senior vp, casualty, for ACE Bermuda.

Zurich, Switzerland-based Zurich Financial Services Group has appointed **Martin South** as CEO of ZFS' International Business division. Previously, Mr. South was managing director of Zurich London and CEO of Zurich Specialties.

John Bernard has been named senior vp of operational excellence at Portland, Ore.-based Standard Insurance Co. Before his appointment, Mr. Bernard was a consultant with Standard.

Reinsurance

Greenwich, Conn.-based Facultative ReSources Inc., a reinsurance underwriting manager and a unit of W.R. Berkley Corp., has named **James H. Crutchley**, senior vp and Greenwich casualty branch manager, to the additional post of chief casualty underwriting officer.

London-based Aon Re International has named **Richard Posgate** as group operations director. Previously, Mr. Posgate was a managing director.

Mr. Campbell

Aspen Insurance Holdings Ltd. has named **Ian Campbell** as finance director in London for Aspen Insurance U.K. Ltd., which does business as Aspen Re. Previously, Mr. Campbell was assistant finance director for the company.

Agents/brokers

Lockton Insurance Brokers, based in Kansas City, Mo., has named **Adam McDonough** as executive vp, commercial insurance. Mr. McDonough, who will be based in San Francisco, previously was vp at a national brokerage.

Other suppliers

Benesight Inc., an administrator of self-funded health plans, has named **Emry Sisson** as chief technology officer. Before joining Lake Mary, Fla.-based Benesight, Mr. Sisson was executive vp of technology and operations with Healthaxis Ltd.

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Business Insurance

BI 04-12-04 A 17,18 4/9/04 4:35 PM Page 1

U.K. employers taking steps to boost enrollment

DC plan participation low: Study

By SARAH VEYSEY

Employee participation in defined contribution pension plans is relatively low in the United Kingdom, despite the growing popularity of such plans among U.K. employers, according to a survey.

The survey of 233 companies in the United Kingdom shows that while the percentage of eligible employees who participate in their employers' defined benefit plans averaged 83%, participation in defined contribution plans lagged that figure considerably, at 38%.

"Given that we know a number of employers have had to move from defined benefit to defined contribution provision, it is a bit concerning that the take-up of defined contribution is not high," said John Cridland, deputy director-general of the London-based Confederation of British Industry.

The Confederation of British Industry conducted the survey in conjunction with Mercer Human Resource Consulting.

Indeed, the low participation figure is surprising, given the high profile that pensions have had in the United Kingdom in recent months, said Paul McGlone, a principal and consulting actuary at Aon Ltd. in London.

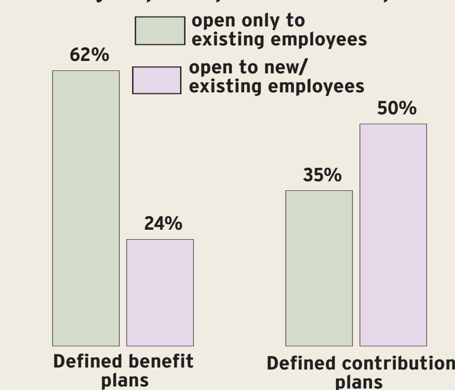
Pension issues in the United Kindgom have received considerable attention during the last year as a result of swelling funding deficits at many employers and a growing number of closures of defined benefit pension plans, among other factors.

The survey also found that while 62% of employers surveyed had a defined benefit pension plan open to existing employees, only 24% of respondents had a defined benefit plan open to new and existing staff.

See SURVEY/next page

PLAN PARTICIPATION

In the U.K., defined benefit plans generally have higher participation than DC plans



Source: Confederation of British Industry

Willis buys 50% stake in Shanghai broker

NEW YORK—Willis Group Holdings Ltd. will purchase a 50% equity stake in Chinese insurance broker Shanghai Pudong Insurance Brokers Ltd., the broker announced last week.

The Shanghai-based broker is licensed to transact life and nonlife insurance and reinsurance for domestic and foreign clients throughout the People's Republic of China. Shanghai Pudong Insurance Brokers has 10 branch offices and 13 sales offices throughout the country and employs 150 people, Willis said. Terms of the transaction were not disclosed.

"This is a significant step in Willis' global expansion," Joe Plumeri, Willis Group Holdings' chairman and chief executive officer, said in a statement.

"We know the Chinese market very well, having been closely involved with Chinese insurers and placement of Chinese reinsurance business for over 50 years. Many of our clients have significant operations in China, and I am delighted that we will be able to support their presence with a level of service and expertise consistent with the standards we adopt worldwide," Mr. Plumeri pointed out.

Upon completion of the purchase, the broker will change its name to Willis Pudong Insurance Brokers Ltd.

— By Sally Roberts

PHOTO: ZUMA

Willis Group Holdings Ltd.'s purchase of a Shanghai-based broker gives it a foothold in this fast-growing part of China.

U.K. decision increases employer duty to closely manage employee stress claims

By CAROLYN ALDRED

LONDON—A House of Lords ruling that a local authority had a duty of care to relieve the stress of an overworked teacher could have wide significance for U.K. employers, both public and private.

The ruling, which awarded the teacher £72,547 ($132,863) in damages, suggests that employers should ensure that they step in, investigate and actively manage employment-related stress, observers say.

In addition, employers should apply management techniques that are more sympathetic to employee concerns about stress, they say.

The ruling will also allow more teachers to pursue compensation claims for stress, said Doug McAvoy, general-secretary of the London-based National Union of Teachers.

The ruling late last month overturned a Court of Appeal ruling that had reversed a lower court ruling in the teacher's favor.

In *Barber vs. Somerset County Council,* Alan Barber, a former secondary math teacher, sought damages from his employer, the Somerset County Council in Taunton, England.

Mr. Barber retired in 1997 suffering from depression. According to court papers, his responsibilities included heading the math department at his school as well as handling the school's public relations.

Mr. Barber complained to the school's management about overwork and stress and took several weeks' medical leave on the advice of his physician. When he returned to work, though, the head teacher paid little attention to his complaints of stress and remarked that the school's whole staff was under stress, court papers say.

Mr. Barber continued to work, but several months later, he lost control in class and started shaking a pupil. Mr. Barber never returned to his teaching post and was later diagnosed with depression.

In its 3-to-2 majority ruling, the House of Lords ruled that the school's "senior management team should have taken the initiative in making sympathetic inquiries about Mr. Barber when he returned to work and making some reduction in his workload to ease his return."

According to the ruling, "Mr. Barber's condition should have been monitored, and, if it did not improve, some drastic action would have had to be taken."

The ruling has "wide-ranging implications for employers," according to Gerard Newman, practice director for the London-based law firm of Cloisters.

According to Mr. Newman, in light of the decision, employers have a duty of care to intervene when they know that employees are at risk of suffering from work-related stress.

The ruling also indicates that employees do not have to be forceful when they complain

See STRESS/page 19

World Updates

Zurich names execs of Global Corporate unit

Zurich Financial Services Group has named a management team for its Global Corporate business unit. The unit is headed by Geoff Riddell, who previously was CEO of the insurer's general business in the United Kingdom, Ireland and Southern Africa. The management team also comprises Randall Clouser, head of Zurich Corporate Solutions; Markus Hongler, head of Continental Europe Corporate; John Kelm, head of Zurich North America Corporate Customer; Terje Lovik, head of Zurich Strategic Relationship Management; and Mike Reid, chief financial officer of Zurich London. Members of the management team generally will retain their current roles, Zurich noted.

Thames Trains fined over Ladbroke Grove crash

Thames Trains Ltd., operator of one of the trains involved in the October 1999 Ladbroke Grove rail crash, has been fined £2.0 million ($3.7 million) and ordered to pay £75,000 ($137,355) in legal costs for failing to ensure the safety of its employees and passengers. The fine is the largest ever handed down to a train company in the United Kingdom. Thames Trains admitted in court that the train's driver was not adequately trained or warned about complex signaling in the area where the crash occurred.

Kiln profits rise as premiums fall

Kiln P.L.C. posted profits of £33.1 million ($59.2 million) for 2003, up from a restated figure of £11.8 million ($18.9 million) in 2002. The company, which operates four syndicates at Lloyd's of London, recorded gross written premiums of £267 million in 2003 ($477.9 million) down 5.0% from the restated figure for 2002. Kiln restated its 2002 figures to reflect a change in its accounting for currency fluctuations.

Discontinued operations push Goshawk into red

Goshawk Insurance Holdings P.L.C. posted a pretax loss of £57.5 million ($102.9 million) in 2003, down from a £10.1 million ($16.3 million) profit in 2002. London-based Goshawk said the deficit stemmed largely from a £73.2 million ($131.0 million) loss from its discontinued Lloyd's of London syndicate operations (*BI*, Nov. 3, 2003). The company's Bermuda-based reinsurance subsidiary, Goshawk Reinsurance Ltd., reported a profit of £21.6 million ($38.7 million) for 2003, a 5% increase over the previous year.

BI 04-12-04 A 17,18 4/9/04 4:36 PM Page 2

Survey: Defined contribution plan participation low

Continued from previous page

By contrast, 35% currently have a defined contribution plan open only to existing employees, while 50% have such a plan open to new and existing employees.

According to CBI figures from separate research, over the past two years 41% of employers operating defined benefit plans switched to defined contribution plans for new employees.

The costs associated with running defined benefit plans in the United Kingdom have risen sharply over the past 10 years, noted Peter Thompson, worldwide partner at Mercer in London. This has driven employers to seek greater control over the costs of the pensions they provide, prompting many to switch to defined contribution plans, he noted.

Employers contribute, on average, 7.8% of salary to defined contribution plans, the survey found. The average employee contribution, meanwhile, was 4.2% of salary.

Employers are using various approaches to encourage greater employee participation in their defined contribution plans.

The most common approach, reported by 48% of employers, was the use of communications materials that outline the benefits of the plan. Employers using this method saw a 48% participation rate, according to the study.

The most successful approach, however, was automatic enrollment, whereby new employees automatically participate in their company's plan unless they expressly request to opt out. But although automatic enrollment resulted in a 93% participation rate, only 22% of employers surveyed use this technique.

According to research conducted by the Confederation of British Industry, over the past two years 41% of employers operating defined benefit plans switched to defined contribution plans for new employees.

"There are good opportunities for employers to increase automatic opt-in," said Mr. Cridland, though he noted it is not the best approach for all employers.

For example, automatic enrollment is not cost-effective among companies with high staff turnover, such as those in industries such as hospitality and retail, he said.

Employers are concerned about the cost of administrating pensions for short-term employees, noted Mr. Thompson.

Some employers are considering introducing a time threshold for automatic opt-in, according to Mr. Cridland.

Under such a system, employees would have to be at the company for a minimum period of time before being automatically enrolled in the pension plan.

But Aon's Mr. McGlone noted that some employers would rather not have too much participation in their plans because of the increased costs associated with large membership.

Copies of the survey are available by calling 44-207-395-8071 or e-mailing pubsales@cbi.org.uk.

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REQUEST FOR PROPOSALS

NOTICE INVITING PROPOSALS

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The City of Los Angeles World Airports (LAWA) is seeking proposals from qualified insurance brokers/agents for Owner Controlled Insurance Program (OCIP) Broker and Administrative services. The Proposal due date is Wednesday, May 12, 2004 by 4:00 pm (PST). A mandatory Pre-Proposal meeting will be held on April 21, 2004 at 10:00 a.m. at 7301 World Way West, in the 9th Floor Conference Room, Los Angeles, CA 90045. For additional information please call the Risk Management Division at (310) 215-5495.

Copies of the proposal package may be requested or may be downloaded from the Mayor of City of Los Angeles' Business Assistance Virtual Network at the Internet address: **www.labavn.org.**

LEGAL NOTICE

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:

Petition of Christopher John Hughes and Ian Douglas Barker Bond, as Joint Provisional Liquidators of Kingscroft Insurance Company Ltd., Walbrook Insurance Company Limited, El Paso Insurance Company Limited, Lime Street Insurance Company Limited and Mutual Reinsurance Company Limited,

Debtors in Foreign Proceedings

An Ancillary Case under Section 304 of the Bankruptcy Code

Case Nos. 92-B-41974 (PCB) through 92-B-41977 (PCB) and 92-B-44623 (PCB) Jointly Administered

NOTICE OF ENTRY OF ORDER AMENDING PERMANENT INJUNCTION PURSUANT TO BANKRUPTCY CODE SECTION 304(B) IN AID OF AMENDING SCHEME OF ARRANGEMENT

PLEASE TAKE NOTICE that:

1. On April 1st, 2004, the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"), entered an order (the "Amended Section 304 Order") pursuant to 11 U.S.C. §§ 105 and 304 modifying the Bankruptcy Court's existing Permanent Injunction Order, dated December 14, 1993 (the "Original Section 304 Order"), in order to encompass within its terms the proposed Amending Scheme of Arrangement, dated December 5, 2003 (the "Amending Scheme") between Kingscroft Insurance Company Limited, Walbrook Insurance Company Limited, El Paso Insurance Company Limited, Lime Street Insurance Company Limited and Mutual Reinsurance Company Limited (collectively, the "Scheme Companies") and their respective Scheme Creditors, comprising General Scheme Creditors and Protected Scheme Creditors (as those terms are defined in the Amending Scheme).
2. The purpose of the Amending Scheme is to amend certain provisions of the Scheme of Arrangement, dated September 8, 1993 (the "Original Scheme"), between the Scheme Companies and their respective Scheme Creditors. At separate meetings of General Scheme Creditors and Protected Scheme Creditors for each of the Scheme Companies, held on January 29, 2004, the requisite statutory majorities of each of those classes of Scheme Creditors approved the Amending Scheme. Subsequently, on February 24, 2004 the High Court of Justice of England and Wales sanctioned the Amending Scheme, and the Bermudan Supreme Court sanctioned the Amending Scheme solely with respect to Mutual Reinsurance Company Limited on February 27, 2004. The Original Scheme, as amended and restated by the Amending Scheme, now is known as the "Restated Scheme."
3. By the Amended Section 304 Order, the Restated Scheme's provisions have full force and effect under United States law and are binding on and enforceable against all Scheme Creditors in the United States that have claims against the Scheme Companies, which claims are afforded treatment under the Restated Scheme. Specifically, pursuant to the Section 304 Order, Scheme Creditors are restrained from taking certain actions against the Scheme Companies, and parties are enjoined from relinquishing or disposing of property of the Scheme Companies, except as explicitly provided in the Restated Scheme.
4. The Amended Section 304 Order is on file with the Bankruptcy Court and may be accessed via the Bankruptcy Court's website at www.nysb.uscourts.gov. Further, copies of the Original Section 304 Order, the Amended Section 304 Order, the Amending Scheme (including the Restated Scheme) and the accompanying Explanatory Statement are available to review and download from the Scheme Companies' website at www.kwelm.com. These documents also may be obtained by fax or written request to the Scheme Administrators' counsel at the address listed below.

2nd April 2004

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Ingrid Bagby (IB 3844)
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BI 04-12-04 A 19 4/9/04 4:38 PM Page 1

Stress: Duty of care to address complaints

Continued from page 17

about stress nor do they need to describe their symptoms in detail.

And employee absence due to stress should be taken seriously by employers.

'Still ignoring (stress) is foolish. Claims are coming in and are going to increase.'

Mike Keating
Belfast City Council

A spokeswoman for Somerset County Council said the council is "disappointed about the outcome of the case" but has taken several initiatives since Mr. Barber left his position.

In particular, the council has established a Quality of Working Life survey, which was sent to all employees in 2001. Action is being taken to relieve problem areas identified by the survey.

The council also has, among other things: provided guidelines and training to managers on identifying and managing employee stress, provided external and internal counseling services, and employed an occupational health nurse based in the council offices.

"Regional statistics show that our sickness absence rate has dropped significantly over the past two years and that Somerset County Council is currently maintaining a lower rate than other large authorities in the South West" of England, the council spokeswoman said.

Stress is a growing issue for local authorities, and any organization "still ignoring it is foolish. Claims are coming in and are going to increase," said Mike Keating, workplace health manager for the Belfast City Council in Belfast, Northern Ireland, and a member of the London-based Assn. of Local Authority Risk Managers.

Mr. Keating said that many organizations are putting in place stress-measuring tools and support systems such as counseling services, but he noted that the issue is one that needs to be managed by risk managers, health and safety managers and human resource departments working closely together.

Aon Consulting finds 21% of reviewed plans affected in 2001-03

Defined benefit plans frozen

By VINEETA ANAND

More than 20% of corporations have frozen their defined benefit plans, and many others are expected to follow suit.

The definition of a "frozen" pension plan is fuzzy. Some companies consider their plans frozen when no additional accruals are permitted; others use the term when new employees are not allowed to participate; and still others stop service accruals for existing participants while letting them accrue new benefits based on pay increases.

The definition might be soft, but the statistics are hard.

A survey by Aon Consulting, a unit of Chicago-based Aon Corp., found that 21% of 1,000 large pension plans were frozen between 2001 and 2003, including 6% last fall. Aon Corp. froze its own approximately $1 billion plan in January (*BI*, March 22).

The companies Aon surveyed froze their plans largely because of the growing cash contributions they had to make, said Christopher M. Bone, executive vp and head of Aon's retirement practice. "We were quite startled at how many pension plans (were) frozen."

The impact of regulatory, legislative and accounting proposals could also prompt up to half of the more than 100 largest corporate plans to cut benefits and freeze accruals, according to a new study by the Committee on Investment of Employee Benefit Assets.

For the airline and steel industries, however, the passage late last week of pension funding reform will provide some relief from large cash contributions (see story, page 1).

Some companies that enjoyed hefty surpluses and long holidays from contributing to their pension funds during the 1990s are freezing their plans now. That's because they want to eliminate the impact of pension expenses and contributions from their bottom lines and cash flow.

Another factor contributing to the increased interest in freezing defined benefit plans is last July's decision by a U.S. District Court in Illinois that IBM Corp.'s cash balance plan discriminated against older workers because their hypothetical account balances have fewer years to benefit from compounding.

Employers that have already frozen their plans include: Sears, Roebuck & Co., which announced in January that new accruals would be halted; Kmart Corp.; Sherwin-Williams Co.; ARAMARK Corp.; and Borg-Warner Automotive Inc.

Vineeta Anand is a reporter for Pensions & Investments, a sister publication of Business Insurance.

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BI 04-12-04 A 20 4/9/04 4:37 PM Page 1

Surcharge: Terrorism risk methodology spurs debate

Continued from page 1

ed an AIG petition seeking to apply its workers comp terrorism rate methodology.

AIG's calculations "may increase the amount of terrorism premium for a policyholder when there has been no increase in the risk of a terrorism loss," the commissioner ruled in a written statement. Commissioner Montemayor also found that AIG's methodology could result in policyholders with the same risk classification paying different rates "without justification or support."

The commissioner's decision, though, may not be final. A spokesman for the Texas Department of Insurance said there is an appeal process and talks with AIG are continuing. The department spokesman declined further comment.

At issue in Tennessee, Texas and other states is AIG's departure from a rate methodology applied by Boca Raton, Fla.-based NCCI Holdings Inc., the parent of the National Council on Compensation Insurance.

NCCI is a designated ratemaking advisory agency for Tennessee, Texas and 36 other states. It calculates workers comp terrorism liability loss costs based on a policyholder payroll. In Tennessee, for example, NCCI calculates a loss cost of two cents for every $100 of payroll.

AIG, in contrast, is calculating the coverage based on a percent of total manual premium. In Tennessee, several AIG companies filed rates seeking a range of 1% to 4% of total manual premium, according to the state's regulators. AIG companies wrote about $69 million in workers compensation premiums in Tennessee during 2002.

Some states have taken issue with the AIG's pricing strategy, a spokesman for New York-based AIG confirmed. But the spokesman declined to say why AIG chose a different methodology. He said it would be inappropriate to comment because of ongoing discussions with state regulators.

Tennessee's Department of Commerce and Insurance concluded that AIG's rating method would allow the insurer to net about $28 million more nationwide than if it applied NCCI's rating system.

The $28 million figure, however, would amount to less than 1% of AIG's workers compensation net premiums written nationwide, according to data in a report released last month by Morgan Stanley.

"Our staff has reached an opinion that NCCI's way is better," a department spokeswoman said. "Also, when you look at the raw numbers of how much potential extra premium is created under (AIG's) method, that alone can turn some heads."

But the spokeswoman also acknowledged that underwriting terrorism coverage represents a new frontier. Therefore, the Department of Commerce and Insurance is acting very deliberately, "not wanting to come down too hard on anybody for trying to estimate something that, at the very best, is difficult to estimate," she said. "But if you look like you are being a 9/11 profiteer, that is not good either."

A recent Morgan Stanley report points out that workers compensation remains the biggest terrorism risk insurers face.

The Terrorism Risk Insurance Act required commercial lines insurers to offer coverage for acts of foreign terrorism. To expedite their offerings, the act allowed insurers to set rates without obtaining regulatory approval. But the mandate also allowed regulators to later evaluate insurers' rates and reject them if they found them excessive, unfairly discriminatory or inadequate, explained Peter Burton, senior division executive in Wayne, Pa., for the NCCI.

Consequently, "a host of states" has reached a point where they have now studied AIG's rating methodology and decided they don't approve of the approach, Mr. Burton said. But that does not mean AIG's calculation's are inappropriate, he added.

In fact, a March 14, 2003, American Academy of Actuaries report, "Ratemaking Issues Related to the Terrorism Risk Insurance Act," states that a broad range of reasonable pricing estimates may develop among insurers because they face a high degree of uncertainty.

Morgan Stanley's assessment of terrorism and the property/casualty industry released last month also points out that workers compensation remains the biggest terrorism risk insurers face.

Concentrated exposures and mandatory coverage of terrorism losses in workers comp policies increase the risk, especially for a company such as AIG, the report shows. AIG is the second-largest workers comp underwriter in the United States, with $3.27 billion in net written premiums for 2002, according to the report.

But setting price based on a percentage of premiums results in discriminatory pricing and does not address terrorism risk concentration, said Lenita Blasingame, deputy insurance commissioner for the Arkansas Insurance Department in Little Rock.

For example, Ms. Blasingame said, under AIG's methodology, loggers would pay an average of $1,196 per $100,000 of payroll in terrorism risks costs. That's because, she said, loggers pay hefty premiums due to their high levels of work-related dangers. Clerical workers, meanwhile, would pay, on average, only $12 per $100,000 of payroll for the terrorism risks within their workers comp policies because the base premium rate they pay for coverage is much lower than that paid by loggers.

Yet loggers working in forests are not a concentrated risk and unlikely terrorism targets, Ms. Blasingame said. Arkansas also rejected an AIG rate filing earlier this year. But based on discussions held with the insurer during the past few days, an appeal is likely, she said.

Regulators say they are trying to help policyholders, but so far employers have not made the issue a rallying point in their efforts to control workers comp costs, regulators and several other market observers say.

"That has not been an issue here," said Kathleen Brown, manager-casualty insurance for Air Liquide America Corp. in Houston.

Canada: Employers' liquor liability risks expanding

Continued from page 4

cobsen vs. Nike Canada Ltd., an employee injured in a car crash sued his company after a night of drinking in which his supervisors purchased some of the alcohol he consumed.

The British Columbia Supreme Court found that a company that provides alcohol to employees has a duty to monitor their consumption and take steps to prevent them from driving when it knows or ought to know they were likely impaired. The court assessed Nike's liability at more than $2 million Canadian ($1.5 million).

"I think the courts tend to award damages to ensure individuals are protected," said Tony Lackey, manager-risk and insurance for Ottawa, Ontario-based Carleton University. "The courts seem to be unwilling to hold individuals responsible for their own actions."

Subsequent cases potentially broadened employers' liability exposure in alcohol-related incidents, legal experts say.

In *John vs. Flynn* in 2000, a plaintiff sued a company after being injured in a car crash with one of its employees who was drinking on the job. In this case, the Superior Court of Justice in Ontario ruled that employers could be held liable for accidents involving employees who drink at work or during work hours, even if the employer did not provide the alcohol, legal experts say.

And in *Hunt vs. Sutton Group Incentive Realty Inc.* in 2001, a receptionist who became intoxicated while attending a company party during office hours sued her employer after she crashed while driving home.

The Superior Court of Justice in Ontario said Sutton Group Incentive Realty had an obligation to ensure that the plaintiff was not impaired to the point that she was unable to drive home safely. The court said the employer should have taken steps to protect the worker, such as demanding her car keys or insisting she go home in a cab at the employer's expense. The court was also critical of the employer's decision to set up a self-serve bar that made it impossible to monitor the employees' alcohol consumption.

Although the Ontario Court of Appeal ultimately reversed both decisions, citing errors by the lower court judges, the rulings underscored for employers and insurers the potential exposure associated with employee alcohol consumption.

"It certainly did raise the bar on how accountable you are for your employees," said Joe Hardy, director of risk management and insurance for Toronto-based Hudson Bay Co. "In the eyes of the court and the public, you have to be doing something proactive as a corporation."

The *Hunt* case also had implications for commercial entities, because Ms. Hunt drove to a bar and had two more drinks after leaving her office that day, Mr. Solomon noted. In Canada, it is against the law to sell or supply alcohol to a person who is or seems to be intoxicated. The court held the bar responsible as an alcohol provider because it served her despite her obvious intoxication and then took no steps to prevent her from driving, he said.

'Insurers are not looking at liquor liability as a very good risk. It's a tight market.'

Tony Lackey
Carleton University

Canadian courts have imposed several obligations on commercial hosts, including refusing to admit intoxicated patrons, monitoring the consumption of patrons by counting the number of drinks consumed, and taking steps to prevent impaired people from driving.

Canadian law generally confines liability for alcohol-related incidents to hosts providing alcohol, so alcohol producers such as Toronto-based Labatt Breweries of Canada are somewhat insulated from these claims, said Jim Greer, senior manager of risk management for Labatt. "It's the person who is serving the alcohol that has the exposure," he said.

The court cases have made it difficult for employers and commercial operations to secure alcohol liability coverage, because many insurers have decided the risks are too great and have stopped offering coverage, risk managers say.

"Insurers are not looking at liquor liability as a very good risk," Mr. Lackey said. "It's a tight market."

St. Paul Travelers provides alcohol liability coverage, mostly for larger customers such as hotels and resorts, but the insurer requires a policyholder's staff to undergo strict training about alcohol and the risk factors involved, a spokeswoman for the St. Paul, Minn.-based insurer said. "We're very aware of the risk in writing this type of coverage," she said. "We provide it because it's something that they need."

The company also cedes some of the risks to its reinsurers, an approach that other insurers providing alcohol liability coverage have also adopted, she said. The price for alcohol liability coverage is "not cheap," but the company works with its customers to manage pricing as much as possible, she added.

Insurance companies that do offer alcohol liability coverage often price it so high that it becomes unaffordable, risk managers say.

A student pub located near Carleton University recently converted to a coffeehouse because it could not secure affordable coverage, Mr. Lackey said.

"Once (the patron) walks out the door, the bar owner has a problem," he said. "Because of that, insurers are saying, 'We have to charge a high premium to cover these exposures.'"

Companies that do not have solid risk control programs may be feeling the squeeze from higher rates, Mr. Hardy said.

Hudson Bay Co. has not experienced any difficulty in securing alcohol liability coverage for its exposures in the retail sector, because it has a strict risk management policy, he said. For example, the company hires professional bartenders to serve alcohol at company events, because they have more experience in determining whether a person should be served. Because his company has such a strict policy in place, its insurer did not raise the issue of not offering alcohol liability or raising rates for covering that risk, he said.

Legal experts note that employers can reduce the liability risks when hosting events by taking steps such as making sure food is available, arranging for employees to be driven all the way home and closing the bar before the event ends.

The Greater Vancouver Transportation Authority has limited its exposure by refusing to serve alcohol at its events, said Paul Barlow, manager of revenue and risk management. In addition, the organization does not allow employees to drink while working, he said. "We take a zero-tolerance policy," he said.

Anecdotal evidence shows that many employers are adopting similar measures to avoid liability, MADD Canada's Mr. Solomon said. "The social norm of plying employees with alcohol doesn't make sense anymore," he said.

BI 04-12-04 A 21 4/9/04 4:36 PM Page 1

Iraq: Escalating violence hardens accident coverage

Continued from page 1

port said.

The coverage purchased by companies tendering for contracts in Iraq from the U.S. government depends, to an extent, on where they are based.

Companies based in the United States are required under the Defense Base Act to obtain workers compensation insurance for employees working overseas on any government contract.

The legislation requires companies to provide injury and death benefits of up to 200% of the national average weekly wage, or 200% of the employee's full average weekly wage, whichever is smaller.

The U.S. government covers injury and death caused by acts or war or terror.

Defense Base Act coverage is currently priced at between 18% and 25% of annual payroll, according to Peter Schulteis, executive vp at Cincinnati-based program manager Global Underwriters Inc.

But many companies are purchasing additional individual and group accidental death and dismemberment coverage for employees to supplement the Defense Base Act coverage.

According to Mr. Schulteis, the price of this additional coverage has increased over the past six months, from between 15 cents and 25 cents per $1,000 of payroll per person per day to between 20 cents and 35 cents per day.

Gordon Knight, president of AIG World Source, in New York said that AIG is questioning whether rates are adequate.

"To pretend it is a science is a false pretension; we are figuring out as we go. We are getting 150 claims a month and have had tens of millions dollars in losses at AIG," Mr. Knight said.

Paul Bassett, chairman of London-based Aon Ltd.'s special-risks counterterrorism team, said rates are increasing, capacity is difficult to find and the security situation is clearly worsening, but coverage is still available.

> **'If there is only a small amount of profit in the (Iraq rebuilding) contracts, it could easily be eroded by insurance and security costs.'**
>
> *Paul Bassett*
> *Aon Ltd.*

The price of coverage changes daily, Mr. Bassett said. "If there is only a small amount of profit in the (Iraq rebuilding) contracts, it could easily be eroded by insurance and security costs," he added.

David Lush, manager of accident and health underwriting in Europe for the London-based arm of Brussels, Belgium-based ACE Insurance SANV, said prices for AD&D coverage in Iraq are between 30% and 40% higher than they were six months ago, with 25% to 30% of this increase coming in the past month.

But David Bruce, divisional head of Lloyd's of London syndicate 33, which is owned by Hiscox P.L.C., said in some cases rates are holding steady but coverage terms are changing.

For example, deductibles are increasing and limits are being imposed or reduced.

Rates vary from 1.5% a week to between 6% and 10% a year of the sum insured, Mr. Bruce estimated.

"We are still offering insurance in a very hazardous zone," he said.

Tony Ratliff, a partner with JLT Risk Solutions Ltd. in London, said rates for personal accident coverage are already a significant cost for companies operating in Iraq and companies may have problems meeting the extra costs if rates are increased further.

One of the problems is that many companies are still bidding for contracts for Iraq, according to David Partner a broker at London-based Miller Insurance Services Ltd. Once contracts are awarded, there will be a critical mass of people, and it will be easier to rate the business.

He estimated rates currently stand at about 8%, on an annual basis.

HSA: Deductibles could reduce appeal

Continued from page 3

For example, if an employer offers a health insurance plan with a $1,000 deductible for individual coverage and a $2,000 deductible for family coverage, the latter typically will involve a $1,000 per-person embedded deductible.

The intent of the embedded deductible is to ensure that an individual with family coverage will have the same level of health insurance coverage as an employee with individual coverage.

But that would not always be the case with HSA-linked plans.

Under the HSA law, a total of $2,000 in health care claims must be incurred before family coverage provided through the high-deductible plan kicks in. Embedded deductibles are permitted, but they can never be less than $2,000.

That could result in situations in which employees with family coverage are exposed to greater health care expenses than those with individual coverage.

Take the case of an employer offering an HSA-linked high-deductible plan with a $1,000 deductible for individual coverage and a $2,000 deductible for family coverage.

If an employee with individual coverage incurs a $1,500 hospital bill, he or she would be responsible for paying $500 of the claim.

However, an employee with family coverage and a $2,000 deductible, would—depending on whether there were claims from other family members that could be applied to the deductible—have to pay the entire $1,500 hospital bill.

That is an inequitable result and could result in employers having second thoughts about offering the plans, said Jeff Munn, a consultant in the Falls Church, Va., office of Hewitt Associates Inc.

At a minimum, Mr. Munn said, there is a significant potential for employee misunderstanding, which means employers must carefully communicate how the plans would operate.

Others doubt, though, that the limit on embedded deductibles would be enough to deter employers from offering the plans.

"I don't view this as deal-beaker. What is more important is that these plans offer the potential for employers to offer coverage that is a lot more affordable than other programs," said Bonnie Whyte, executive director of the Employers Council on Flexible Compensation in Washington.

The more-significant concerns for employers is moving to a higher deductible in the first place, said a spokeswoman for Aetna Inc. in Hartford, Conn. Once that bridge is crossed, going to a "true family" coverage approach isn't that much of a step, she said.

Insurers say the limits on embedded deductibles for family policies aren't causing buyers to shy away from coverage. A spokesman for Golden Rule Insurance Co., a subsidiary of United HealthGroup Inc., said that more than 70% of the HSA-linked high-deductible policies it has sold have been for family coverage.

"I don't see this as having that dramatic of an impact," said Mark Wincek, a partner with the law firm of Kilpatrick & Stockton L.L.P. in Washington.

Others, though, say more time is needed to gauge the impact the limits on embedded deductibles will have on the market.

"It is too soon to tell if this is going to be a problem," said Joe Walshe, a principal with the human resources unit of Pricwaterhouse-Coopers L.L.P. in Washington.

HIPAA: Small, midsize firms brace for privacy law

Continued from page 4

"group health plan," HIPAA relies on the definition of "employee welfare benefit plan" in the Employee Retirement Income Security Act, to the extent that the plan provides medical care. This includes flexible spending accounts.

Health plans with fewer than 50 participants are exempt from HIPAA.

As of March 31, the Department of Health and Human Services' Office of Civil Rights had received a total of 5,350 complaints involving HIPAA. Of those, 47% were closed, either because it was determined they did not involve a HIPAA violation or because they were settled through voluntary compliance, an HHS spokesman said.

"I would say that the vast majority of (small and midsize employers) are not in compliance," said Mark Lutes, a partner at Epstein, Becker & Green in Washington who specializes in health and employment law.

"These are folks that are not in the client bases of the major benefits consulting companies," he said. "Probably the most they've ever heard about it was to receive a form BA (business associate) agreement from their TPA or their broker."

HIPAA privacy regulations require business associate agreements between covered entities and third parties with whom individually identifiable health information is exchanged.

Trish Neely, a senior vp and privacy officer at Fringe Benefits Management Co. in Tallahassee, Fla., said she is still waiting to receive signed business associate agreements from a handful of her clients but is hopeful she'll get them before the April 14 deadline.

However, she disagreed with several of these employers' contentions that that they qualified for the later deadline.

"What a number of our clients did, which I believe is completely incorrect, is that when they think in terms of HIPAA applying to them, they were only looking at the receipts that were only related to their health flexible spending account," she said. But, "you don't look at just one little health plan, your health FSA, because if you're doing that, there's quite a few employers that would fall below the threshold. You have to look at all of your health plans."

> **As of March 31, the Department of Health and Human Services' Office of Civil Rights had received a total of 5,350 complaints involving HIPAA. Of those, 47% have been closed.**

In some cases, employers don't think they had to do anything to comply with HIPAA because they have fully insured health plans, which do not share private health information with them, some benefit consultants said.

"I am finding there are a number of clients that have already met the deadline. I am also involved with several clients who are frantically trying to meet the deadline. Then there are the fully insured clients who feel they don't need to comply," said Helen Box-Farmen, a vp at Aon Consulting in Baltimore.

But, even these employers shouldn't just sit on their laurels, legal experts point out.

"The burden under the law is on the employer," asserted Nancy Reynolds, a staff attorney at the Mountain States Employers Council in Denver, who says she has been fielding numerous calls from panicked coalition members rushing to meet the April 14 deadline.

"Even if they have fully insured plans, they must ask, 'What PHI (protected health information) do we have, where did it come from, who has access to it, and what do we do with it?'" she said. "Health plan enrollment forms should be separated from general employment records," she added. "If any deduction is made on the paycheck to pay premiums, that's PHI."

Moreover, because HIPAA compliance is complaint-driven, employers should make sure there are safeguards in place to protect the privacy of their employees' and their dependents' health care information, regardless of whether they have fully insured or self-insured plans, said Mr. Lutes.

"Employers are frequently making decisions that affect their employees in terms of hiring, firing, promoting, not promoting, and the risk is that someone will allege that one of those decisions was based on inappropriate access to health information," he explained.

"If that claim is brought, we have to demonstrate that, from the effective date on, that the plan-related personal health information is not being considered in the context of employment decisions. It's a lot easier to disprove the inference if you have the elements of a compliance program in place," Mr. Lutes said.

BI 04-12-04 A 22 4/9/04 4:53 PM Page 1

Bill: Congress passes pension-funding reform

Continued from page 1

Chris Bone, chief actuary for Aon Consulting in Somerset, N.J.

And employers in two industries will get their own special relief from the DRC. In 2004 and 2005, commercial airlines and steel companies with underfunded plans will be liable for only 20% of the DRC they otherwise would have to pay.

The relatively comfortable margin—78-19—by which the Senate approved the bill, H.R. 3108, belied the uncertainty about the bill's chances only days before the vote. That uncertainty was triggered by fears that Sen. Edward Kennedy, D-Mass., would try to block the bill through a filibuster. Sen. Kennedy was displeased because, he said, the measure didn't provide financial relief to enough of the nation's 1,600 multiemployer pension plans; about 4% of the plans will be eligible for special targeted relief.

But Sen. Kennedy backed off after it became clear that supporters of the legislation had the 60 votes needed to break a filibuster, a sea change from the prior week, when key Senate leaders questioned if the bill could pass the Senate.

Lobbyists say employer lobbying, along with support from some parts of organized labor, made the difference.

"Senate Democrats got the word from so many constituents that this bill was vital. They looked at the data and saw the harm that would be done to companies and the economy far outweighed the benefit of holding up the bill to try to gain additional relief for multiemployer plans," said Lynn Dudley, a vp with the American Benefits Council in Washington.

"There were literally thousands of calls made in support of the bill," said Mark Ugoretz, president of The ERISA Industry Committee in Washington.

Employers, in their backing of the legislation, said failure to pass the bill would have meant an unnecessary diversion of corporate financial resources to pension plans.

"The failure of Congress to act would have forced companies to overfund their pension plans, taking away billions of dollars that could be used for facilities and jobs," said Kenneth Porter, director of corporate insurance and global benefits at E.I. DuPont de Nemours & Co. in Wilmington, Del.

Employers also warned of the huge cash crunch they would face if the interest rate were not changed. Ms. Dudley gave an extreme example of one employer, which she did not name, that would have seen its pension contribution skyrocket to $28 million from $800,000 if the bill were not passed.

> **'The failure of Congress to act would have forced companies to overfund their pension plans, taking away billions of dollars that could be used for facilities and jobs.'**
>
> *Kenneth Porter*
> *E.I. DuPont de Nemours & Co.*

"Congress could not turn its back when presented with that kind of information," she said.

The drive to change the interest rate index goes back several years. The original impetus was the fall in the yield on the 30-year Treasury bond, a result, then, of federal budget surpluses.

Additionally, in late 2001, the Treasury Department stopped issuing the 30-year T-bond, drying up supply and further driving down yields. That resulted, employer groups said, in an artificially low interest rate for them to value plan liabilities, which drove up liabilities and their contributions.

In early 2002, Congress responded to that concern by passing a temporary change—going through Dec. 31, 2003. Instead of using an interest rate of 105% of the 30-year Treasury bond yield, the rate, legislators agreed, would be 120% of the T-bond rate.

During the two years that temporary change was to be effect, Congress intended to come up with a permanent change in the interest rate index.

Business groups suggested a rate based on long-term corporate bond yields and, in time, that suggestion received near-universal support.

"There was a complete agreement that the long-term Treasury bond was no longer an appropriate vehicle" to value liabilities and that the corporate bond index would be, said Kyle Brown, an attorney with Watson Wyatt Worldwide in Washington.

But enacting such a change in law proved enormously difficult amid such controversies as to whether other, more long-term funding reforms should also be made and how broad the exemption from the DRC should be.

In the end, though, Congress decided on a short-term approach—just a two-year change in the interest rate methodology for which there was no opposition—giving legislators more time to analyze long-term reforms to bolster the pension system.

And with the enactment of the interest rate legislation, members of Congress say they now have their sights set on the long-term.

"I look forward to working with members of the House and Senate in a bipartisan way to craft comprehensive solutions that will reform and strengthen the defined benefit pension system," said Rep. John Boehner, R-Ohio, chairman of the House Education & the Workforce Committee.

And some say the success of the interest rate issue bodes well for the likelihood of future changes positive for defined benefit plans.

"We now have congressional interest focused on defined benefit plans" and the need to preserve these plans, said Mr. Ugoretz.

Lloyd's: Hard market fuels $3.38 billion profit

Continued from page 3

Given a normal loss experience, 2004 should be another profitable year for the market, Mr. Prettejohn noted. Rates for property, reinsurance, energy and aviation risks dipped slightly during the Jan. 1, 2004, renewals, while casualty and marine rates rose, he said.

Lloyd's capacity was £14.9 billion ($26.67 billion) at the start of 2004, up from £14.4 billion ($23.04 billion) at the beginning of 2003.

S&P noted that while 2003 would likely mark the peak of the pricing cycle for Lloyd's, more than £7.3 billion ($13.07 billion) in unearned premiums written at 2003 rates would filter through to the market's 2004 results.

From a profit perspective, assuming there are no large losses, 2004 looks likely to be an even better year for Lloyd's, said Stephen Searby, credit analyst at S&P in London.

Miles Trotter, an analyst at A.M. Best Co. in London, said that the rating agency expects 2004 to be another favorable year for Lloyd's. He cautioned, though, that a large catastrophe loss could depress Lloyd's results, as the market writes a substantial amount of catastrophe business.

In announcing the 2003 results, Lord Levene said the improvement stemmed in part from the work of the Franchise Board, which was implemented in 2003 as part of a package of reforms designed to modernize the Lloyd's market.

The Franchise Board "will continue to take strong action where businesses are underperforming," including requiring syndicates to modify their business plans, he said.

In addition, Lloyd's welcomed recent tax changes in the United Kingdom that may make it more attractive for unlimited liability investors to switch to limited liability status (*BI*, March 1).

> **The Franchise Board 'will continue to take strong action where businesses are underperforming,' including requiring syndicates to modify their business plans.**
>
> *Lord Peter Levene*
> *Lloyd's of London*

As part of its modernization program, Lloyd's had considered forcing all unlimited liability names to convert to limited liability by 2005. It ultimately dropped that proposal, though no new unlimited liability names have been admitted to the market since 2003.

Lloyd's is now in discussions with the Financial Services Authority, the U.K. financial services regulator, about a framework that would enable unlimited liability names to convert to limited liability partnerships.

Lloyd's also has switched to annual accounting as part of the modernization plan, though it continues to publish both one-year and three-year results as it phases out the traditional system.

Under the three-year system, all premiums, claims and associated expenses are recorded in the year in which a policy incepts, and the underwriting result is reported when the so-called year of account closes at the end of three years. The 2004 year of account will be the last for which Lloyd's also will publish three-year figures.

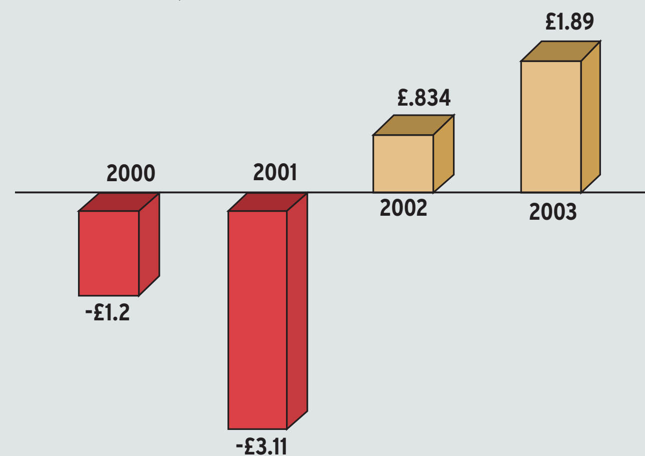
The latest year to close under the three-year system is 2001, and for that year, Lloyd's reported a loss of £2.34 billion ($4.19 billion). That year of account included massive losses from the Sept. 11, 2001, terrorist attacks.

Lloyd's also published its projections for 2002 and 2003 under the three-year system. On that basis, the 2002 year is projected to produce a £1.67 billion profit ($2.99 billion), Mr. Prettejohn said, while 2003 is projected to produce a £1.78 billion profit ($3.18 billion).

S&P affirmed its A rating of Lloyd's after the results announcement, while Best maintained its A-rating.

LLOYD'S SEES TURNAROUND

Lloyd's of London's marketwide profit/loss on an annually accounted basis, in billions of pounds



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ADVERTISER INDEX

Issue of April 12

ADVERTISER	PAGE #
Ace	7
Aetna Corporate	5
AIG Affinity Group Services	24
Aon Corporation	2
Blue Cross Blue Shield	9R
Burnham Systems	16
Business Insurance	9, 14, 19
Carvill	23
Harvard Pilgrim Health Care	9R
Odyssey Re	11, 15
St. Paul Travelers	12/13

BI 04-12-04 A 23 4/9/04 4:54 PM Page 1

Late News

Continued from page 1

the basis that the jury was not properly informed about a statutory immunity period in California. The jury awarded $20 million in punitive damages and $1.7 million in compensatory damages. Leslie J. Whiteley and her husband claimed Ms. Whiteley's lung cancer was caused by smoking and that cigarette makers misled the public about the dangers of smoking. Ms. Whiteley died in July 2000 at age 40 after a 25-year smoking habit.

D.C. captive group urging HUD rule change

The Captive Insurance Council of the District of Columbia Inc. has joined other captive groups in urging the Department of Housing and Urban Development to modify a proposed rule that would require some HUD-financed long-term care facilities to buy professional liability coverage from insurers with at least an A rating from A.M. Best Co. Additionally, coverage would have to be secured from an insurer in the state where the facility is located (*BI*, March 29). In a letter to HUD, Arthur Perschetz, chairman of the Captive Insurance Council, said that rule could eliminate many risk retention groups and other captives as funding vehicles for the LTC facilities.

Garamendi suing state comp fund

California Insurance Commissioner John Garamendi is suing California's State Compensation Insurance Fund to obtain financial and underwriting data that could determine whether SCIF's rates adequately reflect any premium savings resulting from workers comp reforms adopted last September. SCIF "has become increasingly less willing to provide information to the Department concerning its condition and operations" since last May, when SCIF sued the commissioner, alleging he was illegally trying to take control of the insurer, the commissioner's suit alleges. Mr. Garamendi's suit argues that the reforms direct the commissioner to review SCIF and report to lawmakers whether savings might result.

Mr. Garamendi

Chubb sells stake in London's Hiscox

Warren, N.J.-based Chubb Corp. has sold its 18.7% stake in Lloyd's of London insurance company Hiscox P.L.C. for about $160 million. Warren, N.J.-based Chubb's 54.5 million shares were placed with a wide range of institutional shareholders at 165 pence ($3.02) each. Hiscox Chairman Robert Hiscox said the sale was good for Hiscox because it improved liquidity, bought in new shareholders and ended the speculation caused by Chubb's shopping of its stake. In 2001, Hiscox rejected a takeover bid by Chubb, citing an inability to reach agreement on Chubb's offer of 210 pence ($3.85) per share, he said. At the time, Chubb had a 27.7% stake in Hiscox.

PHOTO: AP

An Amtrak train that derailed in Flora, Miss., late last week killed one and injured dozens.

Amtrak self-insured for Mississippi derailment

Amtrak's self-insurance program is expected to cover losses from a deadly train derailment in rural Mississippi. One person was killed and 58 others were injured when the nine-car, one-engine City of New Orleans left the track last Tuesday about 25 miles from Jackson, Miss. The train was bound for Chicago. Investigators have not determined why the train derailed. Amtrak carries a large self-insured retention and insurance "beyond that through commercial entities," said a spokesman for the Washington-based railroad company.

CIGNA sells its COBRA, retiree health units

CIGNA Corp. has sold its COBRA and retiree health plan administration business to Minneapolis-based human resources services provider Ceridian Corp. for an undisclosed sum. The sale, which involves about 500 employer accounts with 38,000 plan participants, will allow the health insurer to focus its capital and resources more efficiently, according to John Coyle, business lead, at CIGNA HealthCare. As a result of the sale, about 60 jobs will be eliminated in Melville, N.Y., where the operation is based. These positions are among the 3,000 job cuts that CIGNA previously said it would make as part of its effort to turn around its troubled health insurance business. The transfer of the business operations is expected to be completed by August.

Briefly noted

The Federal Trade Commission is studying whether **prescription benefit managers** would have a conflict of interest providing the new Medicare drug benefit by using their own mail-order pharmacies. The study was mandated by the new Medicare Modernization Act, which established a prescription drug benefit for seniors....Salt Lake City-based health information provider Ingenix and Mercer Human Resource Consulting have been selected to jointly develop the initial training and rollout of the **Employer Measures of Productivity, Absence and Quality**, which is sponsored by the National Business Group on Health's Council on Employee Health and Productivity. The program will be the first uniform, standardized metrics and reporting system for health, productivity and disability management for all employers....Legislation that would limit **medical malpractice liability awards** against obstetricians, gynecologists and hospital emergency room personnel was blocked on the Senate floor after supporters failed to win the necessary 60 votes to bring the bill to a vote.

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Trial: Broker says switch was known

Continued from page 6

the switch or had waived approval of the policy form. The Travelers policy contained no occurrence definition, and Silverstein contends that this should allow it to recover two policy limits for the twin towers' destruction.

Mr. Dunlop also testified that Daniel Bollier, a managing director of Swiss Reinsurance Co. in Zurich, asked him to insert an occurrence definition into the Travelers wording during a phone conversation on Oct. 3, 2001.

He testified that Mr. Bollier did not express surprise about receiving the Travelers form in late September 2001 and did not state that he was bound to Wilprop.

Earlier this month, Mr. Bollier testified that he learned of the plan to use the Travelers form when a Willis broker filed a revised notice of loss in late September 2001 and attached the form.

Prior to Mr. Dunlop's testimony, Mervyn Wood, a Zurich North America account team manager at the time of the placement, testified that it was his view that Zurich bound its participation in the program based on the Wilprop form. He also testified that Mr. Boyd never told him not to use the Wilprop form the broker sent in the original underwriting submission.

Mr. Dunlop's testimony is scheduled to continue on Tuesday morning. He is the final witness in the case.

Judge Michael Mukasey will hold a charging conference to discuss the jury instructions Tuesday afternoon.

Final summations in the trial are expected to occur on Wednesday and Thursday.

Due to a conflict in the judge's schedule, court will not be in session on Friday.

The judge is therefore expected to charge the jury on Monday, April 19, and jury deliberations will begin.

One juror has been excused from duty because of a personal matter that will not allow him to participate in the trial beyond next week, the judge said.

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[4/5 - 4/9]

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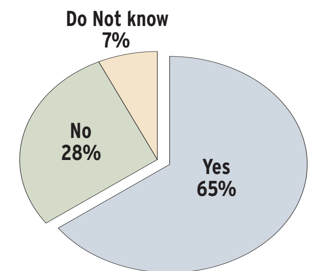

BI Stock Index

[4/5 - 4/8]

Up-to-the-minute data for all 87 companies that comprise the *BI* Stock Index can be found at *www.businessinsurance.com*.

Percentage change of *BI* Stock Index vs. key indicators

Index	Value	Change
BI Stock Index	2383.15	1.29
Dow Jones	10442.00	0.66
S&P 500	1139.32	0.63

Largest gains

Company	Change
ESG Re Ltd.	20.00%
Oxford Health Plans	14.99%
CIGNA Corp.	14.53%
CNA Surety	11.09%
American Safety Insurance	10.81%

Largest losses

Company	Change
SCOR	-6.42%
Vesta Insurance Co.	-5.37%
Ambac Financial Group	-4.08%
Odyssey Re Holdings	-3.55%
American Financial Group	-2.34%

Weekly change by market segment

Segment	Change
Brokers	-0.26%
Insurers/Reinsurers	1.75%
Managed Care Organizations	5.34%

Source: FinancialContent Inc. (*http://financialcontent.com*)