

RISK MANAGEMENT

BOMBINGS RAISE INSURANCE CONCERNS

Insurers re-examine exposures after explosions at Boston Marathon

BY MARK A. HOFMANN AND SARAH VEYSEY

Brokers and others are still sorting out how last week's Boston Marathon bombing attack will affect two key insurance markets — events and promotions and terrorism.

Also unknown is what effect the attacks might have on efforts to extend the federal government's terrorism insurance backstop program, which is to expire on Dec. 31, 2014.

Underwriters have begun asking questions about their appetite to underwrite sporting events and what can be done to make them safer, said Bob Murphy, Marsh Inc.'s New York-based global sports, entertainment and events practice leader.

"Questions about capacity, pricing, and terms and conditions have been raised already," Mr. Murphy said. Most events of the scale of the Boston Marathon

TRIA TRIGGER

The bombings may prompt discussions on reauthorization of the federal backstop.

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AP PHOTO

Runners and others react to the sound of explosions near the finish line at last week's Boston Marathon. The bombings' effect on terrorism coverage is unclear.

See **BOSTON** page 58

WORKERS COMPENSATION

Managed care could drive cost increases

Be mindful of overutilization

BY ROBERTO CENICEROS

Managed care's promise to control medical utilization and reduce workers compensation claims costs is undercut when employers pay for excessive services that don't improve claims outcomes, experts say.

Furthermore, workers comp service providers, such as managed care companies and third-party administrators, can benefit from applying additional products — such as utilization review, nurse case management and bill review — when helping resolve claims, they add.

"Don't let this be a money maker for the managed care company when there is no impact on a case," warned David Donn, president of David Donn Consulting Inc. in San Francisco. "Anytime you are dealing with products where utilization drives the revenue of the managed care company, you have to be very mindful of overutilization."

TPAs say they employ a range of resources — including claims audits, data analytics and reviews by seasoned professionals — to help ensure that the appropriate managed care services are applied at the right time for optimal claims outcomes.

And while overutilization of managed care can generate wasteful

TERRORIST ATTEMPTS

Officials described the Boston Marathon bombings as the worst terrorist attack on U.S. soil since Sept. 11, 2001. Attempted bombings since then include:

- 2001** Attempt foiled by man with al-Qaida ties to blow up Paris-Miami flight with a bomb in his shoe.
- 2009** Man claiming al-Qaida ties arrested in plot to bomb New York City subway.
- 2009** Man with al-Qaida connections foiled trying to detonate bomb in his underwear on flight to Detroit.
- 2010** Man who learned bomb-making in Pakistan arrested in attempted Times Square bombing.

Source: Media reports

See **MANAGED CARE** page 59

Risk managers face new risks

Difficult obstacles need to be addressed in guarding large events

RODD ZOLKOS

For many insurance and security experts, the most disturbing element of last week's Boston Marathon bombings is that it represents a new direction in terrorism on U.S. soil since the Sept. 11, 2001, attacks, moving the target from landmark buildings and other high-profile sites to public gatherings.

That concern is likely to affect underwriting of insurance coverage for sporting events, festivals and other large gatherings as well as efforts to manage the terrorism risks associated with those events, experts say.

The two bombs that exploded April 15 near the finish line of the Boston Marathon killed three and injured nearly 180. Late last week one suspected bomber had been killed, while another was still being pursued by police.

Many businesses in the area were closed late last week as police searched for a bombing suspect. However, it remains unclear how business interruption coverages will be affected.

"What happened in Boston during the Boston Marathon on Patriot's Day hit a new type of target in this country," said Richard C.

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INTERNATIONAL



Country profile of Colombia; reinsurers worldwide reach capital of \$505 billion

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Health care reform provides a boost for employers' wellness incentive programs

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Largest third-party claims administrators ranked by 2012 gross revenues

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TECHNOLOGY

HOW DOES IT WORK?

BILL KENEALY



Configurability eases software modifications

The tools risk managers use to weigh risk are a distinct subset of the broader enterprise software arena, but ultimately reflect it. End users can significantly alter the software to suit their needs, without having to access the software's source code.

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Q&A



SHIVAN SUBRAMANIAM FM GLOBAL

FM Global's Shivan S. Subramaniam discusses how insurers' experience of Superstorm Sandy affected the property insurance market and what lessons were learned from the catastrophe that affect the practice of loss control.

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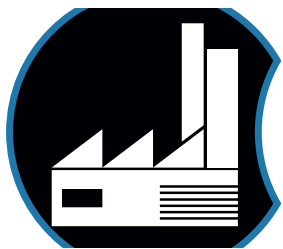
4/22/13

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Congress shouldn't have to think too hard about passing a reform bill to streamline the interstate

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NEWS

WORKERS COMPENSATION

CALIFORNIA LOOKS TO STEM PRO ATHLETES' COMP CLAIMS

Potential \$1.5B in costs from out-of-state players

BY SHEENA HARRISON

California lawmakers are trying to limit workers compensation claims from out-of-state profes-

sional athletes who say they were injured while playing temporarily in California — a scenario estimated at more than \$1.5 billion in potential claims, experts say.

The legislation comes just as recent arbitration rulings have prevented some former National Football League players from filing workers comp claims in California.

Along with those awards, A.B. 1309 would help curtail a growing number of claims from professional athletes in various sports, said Mark Sektnan, president of the Sacramento, Calif.-based Association of California Insurance Cos.

"Everybody has known that the problem has been out there, but the increasing number of cases has brought it to people's attention," Mr. Sektnan said.

California's "cumulative trauma" workers comp provision allows employees to file a claim if their work exposed them to injury in the state. That policy can allow athletes to make a California claim if they have played at least one game there.

A one-year statute of limitations

See NFL page 56



LITIGATION

Several lawsuits involving football players who allege lasting problems from on-the-field injuries include:

■ Three suits by 67 former NFL players seeking to vacate a December 2012 arbitration award requiring them to withdraw comp claims in California were consolidated in San Francisco federal court last month.

■ Oral arguments were heard April 9 in Philadelphia federal court in a suit by more than 4,000 former NFL players against the league, helmet manufacturer Riddell Inc. and affiliated entities for wrongful death, concealment of concussion risks and other claims. The NFL is expected to use a workers comp exclusive remedy defense in the case.

■ A Colorado jury awarded \$11.5 million in damages in April to the family of a Colorado man who suffered concussion-related brain damage after a 2008 high school football practice, according to reports. Riddell reportedly will be responsible for \$3.1 million of the judgment.

RISK MANAGEMENT

Fertilizer blast raises questions over insurance

BY ROBERTO CENICEROS

Questions about the adequacy of risk management planning and insurance coverage abounded after a West, Texas, fertilizer manufacturing plant exploded last week, resulting in death and extensive destruction.

The toll as of Friday included at least 14 dead and about 200 injured. Many of the dead were volunteer firefighters and other emergency personnel who were battling a blaze at West Fertilizer Co. when the family-owned facility exploded. Authorities estimated 50 to 60 homes were damaged or leveled.

Some, but not all, Texas volunteer fire departments purchase



AP PHOTO

Firefighters performed a search-and-rescue operation in West, Texas, after a fertilizer plant exploded last week, killing at least 14 and wounding 200.

See FERTILIZER page 56

LIABILITY & LITIGATION

Court ruling helps employers in class actions

Comcast case increases burden on plaintiffs

BY JUDY GREENWALD

The U.S. Supreme Court's ruling in an antitrust case has given employers a potent argument in fighting class actions in general.

Although not employment-related, observers say the high court's March 27 ruling in *Comcast Corp. et al. v. Caroline Behrend et al.* in conjunction with its 2011 ruling in *Wal-Mart Stores Inc. v. Betty Dukes et al.* means that plaintiffs must provide more proof of damages before they can win class certification (see story, page 56).

"The ruling is going to have a big impact on employers because it puts an extra burden on plaintiffs in class actions to introduce admissible evidence at the class certification stage," said Raul E. Zermeno, an associate with law firm Fisher & Phillips L.L.P. in Los Angeles.

"Before, plaintiffs only had to show some type of theory of damages" at the class certification stage "and could get past class certification without having to introduce admissible evidence. The court's ruling in *Comcast* will "affect not only how many class actions are filed, but also impact on whether class sections will be certified," said Mr. Zermeno.

Michael A.S. Newman, a partner with Barger & Wolen L.L.P. in Los Angeles, said the ruling is particularly significant for large employers because "those will be the ones most likely to be the subject of class action lawsuits."

Frederick D. Braid, a partner with Holland & Knight L.L.P. in New York, said the rulings in *Comcast* and *Wal-Mart* "are two pretty significant hurdles for class action plaintiffs now to get over in order to become certified as a class, so I would say it should reduce the number of class action cases and reduce the exposure of employers to significant judgments based on very large classes."

Charles C. Warner, a partner with Porter Wright Morris & Arthur L.L.P. in Columbus, Ohio, said *Comcast* provides "a very clear and precise analysis of what it takes to have a viable class action from the point of view of proof of damages."

See COMCAST page 56

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ONLINE
FEATURES

SOLUTION ARC

How public, private sectors
can guard against cyber risk

This in-depth coverage can help you ramp up your cyber security and battle cyber crime.

www.BusinessInsurance.com/CyberRisksArc

VIDEO



Broker Beat: Crystal & Co.

Business Insurance Associate Editor Bill Kenealy talks with Michael S. Grant of Crystal & Co. www.BusinessInsurance.com/video

NOMINATIONS

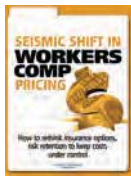
Benefit Manager of the Year

The nomination deadline for Benefit Manager of the Year has been extended to April 25.

www.BusinessInsurance.com/BMOY2013

WHITE PAPER

Seismic shift in comp pricing



This white paper gives you tips on how to rethink insurance options and risk retentions to keep

your workers compensation costs under control.

www.BusinessInsurance.com/WorkersCompPricingWP

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NEWS

REINSURANCE

REINSURANCE PRICING STEADY
AT RENEWALS IN ASIA

Rates should remain stable when U.S. policies renew

BY SARAH VEYSEY

Ample capacity and the absence of major natural catastrophes meant that reinsurance rates at the April 1 renewal on average remained stable or fell slightly, experts say.

And while Asian business heavily dominates the April renewals, the signs suggest that U.S. renewals at June 1 also are likely to see relatively stable rates, experts say.

An “orderly market prevailed” at the April 1 Japanese renewal, according to a report by Aon Benfield, the reinsurance brokerage arm of Aon P.L.C.

The two Japanese reinsurance renewals that have taken place since the Tohoku earthquake in March 2011 and flooding in Thailand in 2011 saw rates increase significantly, said David Flandro, global head of business intelligence at Guy Carpenter & Co. L.L.C. in London.

He said that rates for Japanese earthquake excess-of-loss business on average doubled over the course of those two renewals, which took place in April 2011 and 2012.

But the April 1, 2013, renewal saw rates remain mostly flat or “drift downward” in some cases,



AP PHOTO

Rates for catastrophe excess-of-loss treaties in South Korea experienced increases at the April 1 renewal as the result of a series of three typhoons that hit the country in 2012, Guy Carpenter said in a report.

he said.

The downward pressure on rates was tempered by the after-effects of the 2011 losses, he said.

April 1 was a “very calm renewal” in Japan, said William Thompson, London-based regional director for Japanese nonmarine business at Willis Re, a division of Willis Group Holdings P.L.C.

This, he said, was in contrast to two turbulent renewals after the Tohoku earthquake and tsunami and floods in Thailand.

Rates at April 1 typically were

flat with some “modest, risk-adjusted reductions,” he said.

“It is particularly notable that there is additional capacity for Japanese nonmarine reinsurance,” Mr. Thompson said.

“Quite a number of reinsurers are looking to deploy more capacity than they have done in the recent past,” he said, and this increase in available capacity also was boosted by the depreciation of the Japanese yen and the

See **RENEWALS** page 57

BENEFITS MANAGEMENT

Obama benefits
proposal
questionedCritics call retirement
plan cap unnecessary

BY JERRY GEISEL

An Obama administration proposal that would ban employees from earning additional benefits once the value of benefits earned in all their retirement plans hit a current cap of \$3.4 million would be confusing, difficult to administer, and discourage some employees from making new contributions, experts say.

And the intended result of the proposal — embedded in the administration’s 2014 budget sent to lawmakers this month — a \$9 billion boost to federal revenues over a 10-year period, may be illusory.

“What is the point? In the end,

\$205,000

No additional benefit accruals or contributions would be allowed once the combined value of an employee’s retirement plan accounts was enough to buy a \$205,000 annual lifetime and survivor annuity.

the money is going to be taxed,” said Anne Waidmann, a director with PricewaterhouseCoopers L.L.P. in Washington.

Under the proposal, no additional benefit accruals or contributions would be allowed once the combined value of an employee’s retirement plan accounts was enough to buy a \$205,000 annual lifetime and survivor annuity, beginning at age 62. The administration estimates, based on current interest rates, the maximum retirement plan accumulations needed for a person age 62 to buy such an annuity would be \$3.4 million.

Affected retirement plans would include employer-sponsored defined benefit and defined contribution plans, such as 401(k), 403(b) and profit-sharing plans, as well as plans such as individual retirement accounts which employees established and made contributions.

Under the proposal, pension plan

See **CAP** page 57

PROFESSIONAL LIABILITY

ADA causes problems for professional firms

BY MIKE TSIKOUDAKIS

CHICAGO — An uptick in charges filed by the U.S. Equal Employment Opportunity Commission and data and privacy issues present significant risks for law firms and other professional firms.

They were the topics at the Professional Liability Underwriting Society’s 2013 Professional Risk and Medical Professional Liability Symposia.

As companies and organizations in 2008 saw heightened EEOC activity affecting employment practices liability claims, many

blamed the poor economy, said Edward T. McNally, national employment practices liability practice leader at CNA Financial Corp.’s commercial and financial institutions practice in Overland Park, Kan.

“But that’s not the case,” he said. “The primary drivers are new legislation and new cases.”

The Americans with Disabilities Act, as amended by the ADA Amendments Act of 2008, strengthened the EEOC’s ability to pursue potential violations, Mr. McNally said.

While many employers had to cut their staff during the weak

economy, that often spurs more employees to raise grievances, said Gregory C. Draddy, New York-based vice president of the large commercial group at Arch Insurance Group Inc.

“Unhappy employees sue,” Mr. Draddy said. “The new legislation just gives them more avenues to have their voice heard.”

The employment practices liability marketplace is “definitely” hardening as “underwriters are getting back to underwriting,” said Thomas A. Ciano, senior vice president and regional management

See **PLUS** page 57



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SANDY CLAIMS STILL LINGER

Policyholders strive to document business interruption losses

BY MATT DUNNING

Midsize firms in the Northeast could face considerable challenges as they seek to claim insurance payouts for business interruption and other time-element losses resulting from Superstorm Sandy, experts say.

The majority of insurance claims submitted so far for recovery of economic losses stemming from the October 2012 superstorm largely have been related to power service interruptions and blocked or restricted access to worksites, observers say.

In New York City and New Jersey, Sandy caused an estimated \$14.3 billion in total lost business output for the fourth quarter of 2012, according to Moody's Investors Services Inc. About 58% of those losses were borne by financial institutions and other professional services firms in the region, many of which spent days if not weeks without power or access to their offices after the storm.

While most commercial insurance programs include some degree of coverage for economic losses resulting from direct physical property damage, separate endorsements often are needed to secure coverage for losses resulting from utility service interruptions, blocked ingress or egress to particular locations, and government-ordered roadblocks or evacuations.

"What's happening is that companies are pursuing coverage under their policies, but due to the mixture of these concurrent causes of loss, everyone is still trying to find their way through what's covered and what isn't," said Michael



AP PHOTO

Workers cleared debris from the New Jersey Transit Morgan draw bridge after Superstorm Sandy struck the region in October.

Speer, Chicago-based director of forensic accounting and litigation support at accounting and advisory firm Grant Thornton L.L.P.

Even if they were not directly affected by Superstorm Sandy, experts said small and midsize firms should use the storm as an impetus to conduct a careful review of their current business interruption insurance policies and endorsements with the help of their broker or risk management consultant.

"Sit down with your brokers while it's still fresh in their minds, and have a discussion as to all of the various perils that occurred that might not have impacted your business but some of your peer businesses in the area," said Bob Glasser, a New York-based partner at Dempsey Partners L.L.C.

Beyond the individual causes of covered losses, Mr. Glasser said companies should pay close attention to policy language addressing

concurrent causes, proximity limitation, partial and/or total suspensions of business operations, periods of restoration and the interaction of sublimits between separate time-element endorsements.

"That way, if your policy wouldn't presently respond to those perils resulting from a similar event, at least you would know what it is you need to do in terms of extending or changing your coverage," he said.

If they have not done so already, companies that incurred time-element losses as a result of Sandy will need to prepare and submit a broad scope of documentation in order to substantiate their claims, experts said. To calculate their losses, policyholders likely will be asked to compare their actual earnings during the interruption period to their prior-year financial returns and projections of what their earnings would have been absent the storm's effects.

Depending on the nature and cause of the loss, companies also may be required to include with their claim submissions payroll records; contractual arrangements; photographs or videos of physical conditions related to the claim; and evidence of communications with employees, clients, service providers and government officials, said Joseph Bermudez, a Denver-based regional managing partner at Wilson Elser Moskowitz Edelman & Dicker L.L.P.

Unfortunately, experts say, producing such granular documentation often is difficult for small and mid-market firms even under normal business conditions, let alone in the aftermath of a hurricane or other natural catastrophe.

"It's critical for companies to have these kinds of records backed up in a place where they can be accessed when and if you need them, even if you lose access to your physical offices or storefront," said Mr. Bermudez.

In order to maximize their chances of successful recovery of economic losses, experts say small and midsize companies likely will require assistance from third-party actuarial and legal service providers, including forensic accountants, independent claim adjusters and insurance coverage attorneys, as well as remediation specialists, contingency service providers, engineers and other contractors.

To the extent feasible, companies should establish these relationships long before a storm approaches their worksite, as demand and pricing for recovery assistance services will likely increase in the aftermath of a catastrophe, experts say.

POLICY RESPONSES UNCLEAR

Even if businesses in the New York City region purchased comprehensive coverage for time-element economic losses prior to Superstorm Sandy, it remains to be seen how insurance policies will respond to the specific nature of the storm's effects on the region.

For example, because Consolidated Edison of New York voluntarily took much of the Financial District offline as a pre-emptive measure, it could be difficult for commercial property owners and tenants in Lower Manhattan to recover losses resulting from power outages.

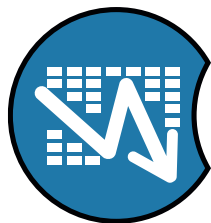
"That certainly wouldn't be the intent of the vast majority of policies, since you typically have to have some sort of direct physical damage to covered property," said Mark Lees, vice president at Hiscox Inc.'s property practice in Los Angeles. "That doesn't mean that the exposure is entirely eliminated, because you still have a lot of potential for folks to bring lawsuits, and litigation often leads to settlements. It's not implausible for a policyholder to say that something like that should be covered and try to stretch the clauses of the contract a bit."

Similarly, businesses in the outer boroughs of New York and in New Jersey that receive electricity, telephone and Internet connectivity via overhead transmission lines may not be able to claim reimbursement for outages, as many service interruption insurance endorsements exclude coverage for losses stemming from damage to overhead lines, experts say.

Recovering economic losses resulting from blocked access to a worksite also could be a challenge, experts say. While flooding and wind speeds forced city and state officials to shut down New York's subway system for several days — as well as close or severely limit access to most of New York's bridges and tunnels — experts say insurance policies for blocked ingress/egress and civil authority closures may not respond because travel in and out of Manhattan was never strictly prohibited.

By Matt Dunning

SANDY BY THE NUMBERS



TOTAL
BUSINESSES
AFFECTED

NEW YORK: 265,000

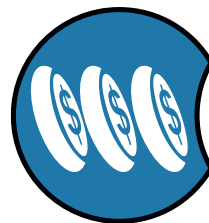
NEW JERSEY: 400,000



COMMERCIAL
PROPERTY
LOSSES

NEW YORK: \$1 BILLION

NEW JERSEY: \$382 MILLION



BUSINESS
INTERRUPTION
LOSSES

NEW YORK: \$5 BILLION

NEW JERSEY: \$119 MILLION

Sources: New York Department of Financial Services, New Jersey Department of Community Affairs

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HEALTH CARE REFORM PROVIDES BOOST FOR WELLNESS INCENTIVES

Increase in financial rewards may shape programs

BY JOANNE WOJCİK

Midsize employers will have greater clout to reward workers' healthy behaviors under the Patient Protection and Affordable Care Act, which boosts the amount of financial incentives that employers can offer beginning in 2014.

While permissible financial incentives are limited to 20% of the cost of single coverage under the Health Insurance Portability and Accountability Act, that threshold will grow to 30% under PPACA. In addition, employers will be allowed to offer incentives equal to 50% of the cost of single coverage to discourage tobacco use.

But to prevent employers from discriminating against employees with medical conditions that might preclude them from meeting employers' criteria to qualify for the new financial incentives, the Labor Department has established rules employers must follow (see box).

According to a recent survey of 800 large and midsize U.S. employers by benefit consultant Aon Hewitt, a growing number of employers are linking incentives to sustainable actions and results, as opposed to simply participating in a program. Of 83% of employers that offer wellness incentives, 24% require employees to demonstrate progress in attaining acceptable ranges for biometric measures such as blood pressure, body mass index, blood sugar and cholesterol. In addition, more than two-thirds say they are considering this approach in the next three to five years.

A separate 2013 study by the Washington-based National Business Group on Health found that up to 42% of employers either already have or plan to move

to a results-based approach to reward employee wellness.

Health care experts expect the shift to rewarding outcomes rather than participation will have a greater effect on employees' health status, thereby reducing employers' health benefit costs over time.

"You want to do it just enough to get people's attention, but you're not going to break the backs of the people who are not going to participate, and over the years the workforce gets healthier. That's the whole point of the program," said Greg Juhn, Chicago-based senior vice president of product strategy and marketing at beBetter Health Inc., an Atlanta-based wellness program manager.

However, under HIPAA rule changes that the Labor Department proposed in November in response to the passage of the Patient Protection and Affordable Care Act, employers would have to offer employees other ways to qualify for wellness incentives.

"The proposed rules say that if people don't meet the benchmarks required to obtain the full reward, you have to provide an alternative way for them to get it. The former rules only said that employers only had to give alternatives to those with medical conditions" that prevent them from meeting employer-established outcomes criteria, Mr. Juhn said.

Under current HIPAA rules, an employee whose cholesterol or blood pressure levels are too high to be considered healthy still could qualify for an employer-paid financial incentive by taking prescribed medication and/or enrolling in a disease management or health coaching program.

CRITERIA

Current Labor Department rules on employee wellness program incentives

1 Incentive limited to 20% of cost of employee-only coverage.

2 Program must be reasonably designed to promote health and prevent disease.

3 Eligible participants must have the opportunity to qualify for the incentive at least once annually.

4 Reward must allow a reasonable alternative standard or waive the initial standard for an individual for whom it is unreasonably difficult due to a medical condition or medically inadvisable to satisfy the initial standard.

5 Plan must disclose in all program materials the availability of a reasonable alternative standard or possibility of a waiver of the initial standard.



INCENTIVES

Wellness incentives will rise from 20% to 30% in 2014 under the Patient Protection and Affordable Care Act, and can be 50% of the cost of single coverage to discourage tobacco use. Based on the average self-only health coverage in 2012 of \$5,615, according to the Kaiser Family Foundation and Health Research Education Trust, the maximum wellness incentive would be:

20%	\$1,123
30%	\$1,685
50%	\$2,808

Fraudsters drawn to rewards programs

BY JOANNE WOJCİK

Indictments accusing seven employees of two Missouri public entities of lying about wellness program participation to reap more than \$310,000 in financial rewards show the potential such programs can have for fraud.

According to a December 2012 indictment in U.S. District Court for the Western District of Missouri, six Kansas City, Mo., employees and one Jackson County, Mo., employee allegedly reported they participated in healthy activities to earn reward points through a worksite wellness program that paid financial incentives up to \$250 when certain point levels were achieved.

The indictment alleges that within six months of the program's inception, several employees began falsifying records to indicate that they had completed the most strenuous activities to maximize the number of gift and debit cards they could earn. The seven employees named as defendants collected more than \$310,000 in ill-gotten gift and debit cards, according to the indictment.

Using an outcomes-based approach to wellness incentives eliminates the potential for employees to game the system to qualify for rewards linked solely to participation, experts say.

"Employers nervous there is going to be fraud may turn to outcomes," said Ruth Hunt, a principal at Buck Consultants L.L.C. in Minneapolis. "Employees must show results in terms of improved health."

Biometric screening is another way employers can verify that the

health information employees provide in a health risk assessment is accurate. Employers also can use sworn affidavits that threaten employees with dismissal if they lie as part of an HRA or about participation in wellness activities.

"Just as there are 2% or 3% of the population that are fanatical about their health, there are 2% or 3% of cheaters who would spend as much time cheating the system as it would take to be compliant. It's almost a game for them," said Francois de Brantes, executive director of Health Care Incentives Improvement Institute Inc.

Mr. De Brantes said General Electric Corp., his former employer, had "a relatively simple code of conduct that employees had to sign that applied to every part of their professional life. In that code of conduct, lying was a fireable offense."

As such, "I don't distinguish lying on an HRA with lying on a job application. If it's a violation of company policy, it's a violation of company policy. It doesn't matter what the venue is," said Mr. De Brantes, who led several of GE's health care initiatives.

Similarly, Lincoln Industries Inc. once fired an employee who said they had ceased using tobacco to qualify for a financial incentive, said Andrew Hunzeker, chief financial officer of the Lincoln, Neb.-based manufacturer.

"We have fired someone for not being honest. We won't fire you for smoking, but if you lie about it, we'll fire you. If you choose not to participate in our wellness program, that's your choice, but you can't lie. It goes against who we are," he said.

EMPLOYER REAPS BENEFITS OF WELLNESS

The proportion of Lincoln Industries Inc.'s employees who qualify for the company's ultimate wellness incentive — a Colorado mountain-climbing trip — has more than doubled since the manufacturer introduced its rewards program.

"In 2006, when we started offering an all-expense-paid mountain-climbing trip, maybe 50 or 60 people qualified. Now we're up to 140," said Andrew Hunzeker, Lincoln Industries' chief financial officer.

Lincoln Industries has 550 to 600 employees.

To qualify, employees must ascend to Platinum level in the Health Check program, a feat that requires amassing at least eight points from participating in activities that include biometric

screening, a well-being assessment, comprehensive health review and attesting to being tobacco-free. They also must pass a fitness test that includes a 1.5-mile run, curl-ups and push-ups.

The program has resulted in reduced absenteeism, lower health care costs and fewer disability claims, according to one of the first peer-reviewed studies evaluating the effectiveness of small employer's worksite health and wellness programs that was published in 2011 in the Journal of Occupational and Environmental Medicine.

Moreover, the Lincoln, Neb.-based company's investments in wellness have contributed to its profitability and helped fuel its growth over the past decade, Mr. Hunzeker said.

By Joanne Wojcik

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Reinsurers worldwide reached capital of \$505B

■ The total capital of the world's reinsurers increased by an estimated 11% during 2012 to reach a record \$505 billion, according to Aon Benfield's latest aggregate study. Aon Benfield, the reinsurance brokerage arm of Aon P.L.C., studied the financial reports of 31 leading reinsurers and found that their capital increased by 12% to \$313 billion by the end of 2012. This increase was driven primarily by net income of \$29.5 billion and \$15.9 billion of unrealized capital gains, said Mike Van Slooten, head of Aon Benfield's international market analysis team in London. All 31 reinsurers covered by The Aon Benfield Aggregate report reported profits for 2012, with an overall pretax profit of \$35.7 billion, up from \$15.6 billion in 2011. The property/casualty combined ratio of the 31 reinsurers studied was 92.6% for 2012, an improvement from 105.1% in 2011.

Aon, Manchester United renew partnership

■ Aon P.L.C. said it has extended its partnership with soccer powerhouse Manchester United for another eight years. London-based Aon, which has been the jersey sponsor for the English soccer club since June 2010, said its partnership with the club that currently is atop the English Premier League begins July 1 and continues to July 1, 2021. Terms of the deal were not disclosed. While automaker General Motors Co.'s Chevrolet brand will replace Aon on Manchester United's jersey for the 2014-2015 season, Aon will become the first sponsor of Manchester United's training ground at Carrington, England, which will be refurbished and named the Aon Training Complex. All Manchester United players and coaching staff will wear Aon-branded apparel and warm-up gear at matches against other U.K. clubs, on international tours, exhibition games and training sessions.

Europe pension proposals could cost business \$688B

■ British businesses could face a £450 billion (\$688.29 billion) bill as a result of plans to force pension funds to protect themselves from risk with extra capital, data from Europe's insurance and pensions watchdog showed. This could hamper companies' ability to invest and also force some pension schemes to close. The estimate from the European Insur-

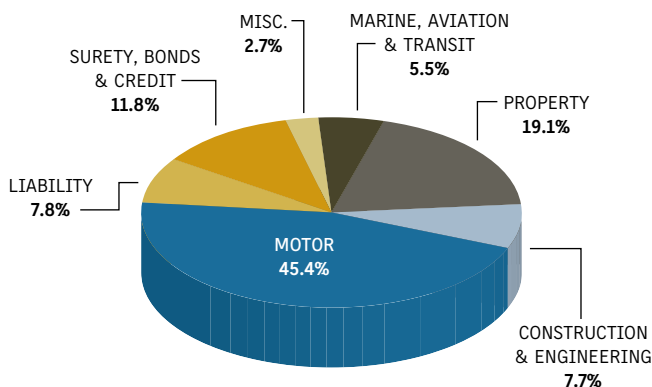
PROFILE: COLOMBIA

\$3.7
BILLION

Total insurance premiums in Colombia increased to \$7.6 billion in 2011, the latest figures available, a 14.9% increase from 2010. Property/casualty premiums increased 14.1% to \$3.7 billion. In late 2010 and early 2011, the country suffered significant flooding, resulting in insured losses estimated at \$325 million. The insurance market remains soft. However, reinsurance renewals in 2012 showed single-digit increases. Continued insurance market expansion is expected as Colombia's economy continued to grow during the global recession.

◀ 2011 P/C premiums

MARKET SHARE



Source: Axco Global Statistics/Industry Associations and Regulatory Bodies



POPULATION

46.6 million

AREA

440,831 square miles

P/C MARKET WORLD RANKING

38

2013 GDP (PROJECTED)

4.6%

MARKET DEVELOPMENTS

UPDATED
OCTOBER 2012

■ In August 2012, the firefighters law was passed, including a provision for insurers to pay a 2% levy on premiums for fire, earthquake, homeowner, mine and petroleum classes of insurance.

■ A July 2012 law introduced several changes to the workers compensation system. The range of workers covered was broadened, a greater variety in ratings was introduced, psychiatric disturbances were clearly identified as a possible consequence of employment accidents, the definition of employment illness was loosened, and levies on insurance premiums were increased.

■ Effective in July 2013, major changes in nonadmitted insurance rules will allow greater participation in the market by foreign insurers.

COMPULSORY INSURANCE

Several classes of insurance are compulsory, including:

- Auto personal accident
- Workers compensation
- Fire and earthquake for apartment buildings
- Third-party liability for security firms
- Professional indemnity for brokers
- Clinical trial liability for universities

NONADMITTED INSURANCE

Effective in July 2013, foreign insurers and brokers can offer various types of insurance coverage, such as international marine and aviation. Colombian residents will be allowed to arrange insurance outside of the country, with certain exceptions that include compulsory insurance coverage.

MARKET FEATURES

Agents and brokers dominate insurance distribution in Colombia. While prohibitions on nonadmitted insurance have been far-reaching in the past, 100% fronting is allowed. With Colombians being allowed to place many classes of insurance outside the country effective in July, fronting is expected to be used less in the future.

MARKET CONCENTRATION

The top five property/casualty insurers have a market share of 48.2%. The top 10 companies have a market share of 77.7%. Total market premiums represent 2.3% of GDP.

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

ance and Occupational Pensions Authority shows the effect of new capital requirements on final salary-linked pension schemes, where benefits are based on salary and duration of employment. The £450 billion estimate is in line with a worst-case scenario contained in figures the U.K. Pensions Regulator produced for the British government last year. "This confirms that any such new rules would harm businesses' ability to invest, grow and create jobs, and many more (pension) schemes could be forced to close," U.K. pension minister Steve Webb said in a statement. The British pensions industry was critical as well. The National Association of Pension Funds said the high price tag would have a highly damaging effect for the retirement prospects of millions of U.K. workers.

Reuters

Ex-Credit Suisse trader pleads guilty in conspiracy

■ A former Credit Suisse Group A.G. trader pleaded guilty to a conspiracy charge in a U.S. criminal case relating to the alleged inflation of subprime mortgage bond prices. Kareem Serageldin, the Swiss bank's former global head of structured credit, pleaded guilty to conspiracy to falsify books and records at a hearing in Manhattan federal court. He faces up to five years in prison, according to the U.S. Justice Department. "I made a terrible mistake and I deeply regret my conduct," Mr. Serageldin, 39, told U.S. District Court Judge Alvin Hellerstein. Prosecutors had accused the British citizen of artificially boosting the prices of subprime mortgage-backed bonds between August 2007 and February 2008, when

housing and credit conditions were rapidly deteriorating. Overall, the price manipulation by Mr. Serageldin and others contributed to Credit Suisse's taking a \$2.65 billion write-down in its 2007 year-end results, according to prosecutors. Credit Suisse has not been accused of wrongdoing.

Reuters

Bermuda reinsurers saw improved results in 2012

■ Premium volume, net income and capital levels improved for Bermuda-based reinsurers in 2012, according to data released by the Association of Bermuda Insurers and Reinsurers. The report, based on a survey including 19 of the association's 21 member companies, found that global gross written premiums for the group in 2012 was \$66.4 billion,

compared with \$65.8 billion in 2011. The group's net income rose to \$9.44 billion in 2012, compared with \$1.49 billion in the previous year. The group's capital base also rose to \$95.2 billion, up from \$89.7 billion in 2011. "The \$9.4 billion in net income demonstrated a good recovery from the worst-ever global loss year of 2011," Bradley Kading, president and executive director of ABIR, said in a statement. "But this number was still below net income reported by the membership in 2006, 2007, 2009 and 2010."

European Parliament OKs cyber security mandate

■ The European Parliament approved a new seven-year mandate that is intended to strengthen and modernize the European Network and Information Securi-

ty Agency. The mandate, which was approved by a 626-45 vote during a plenary session in Strasbourg, France, “aims to strengthen the agency to enable it to cope with network and information challenges,” the parliament said in a statement. “Consequently, an increase in financial and human resources allocated would be made to correspond to its enhanced role and tasks.” The European Parliament said the regulation “gives the agency a clear mandate to support the establishment and functioning of a full-scale European Union computer emergency response team to counter cyber attacks at (the European Union) level, as requested by parliament’s industry committee.”

U.S. Supreme court rules for Shell in Nigeria case

■ The U.S. Supreme Court ruled that federal courts do not have jurisdiction to hear lawsuits against foreign corporations accused of aiding in human rights abuses abroad. In one of its biggest human rights cases in years, the justices ruled unanimously that a federal court in New York could not hear claims made by 12 Nigerians who accused Anglo-Dutch oil company Royal Dutch Shell P.L.C. of complicity in a violent crackdown on protesters in Nigeria from 1992 to 1995. The ruling is a major win for multinational companies, especially those involved in extractive industries that do business in the developing world and become embroiled in local political controversies. The ruling is likely to affect other cases, including those involving similar claims against Anglo-Australian mining giant Rio Tinto P.L.C. over its conduct in Papua New Guinea, and against ExxonMobil Corp. over its activity in Indonesia.

Reuters

Willis accord delays full Gras Savoye purchase

■ Willis Group Holdings P.L.C. said the exercise date of its call option to acquire full ownership of Paris-based insurance brokerage Gras Savoye & Cie will be extended to 2016 from 2015. Willis currently owns approximately 30% of Gras Savoye, alongside the Paris-based private equity firm Astorg Partners and the original family shareholders. According to the amended shareholders’ agreement signed April 15, Willis will have until June 2016 to exercise its option to assume full control of the company.

Roger Gillett wins lifetime insurance award

■ The Bermuda Insurance Institute has named Roger Gillett, past chairman of the Bermuda Insurance Development Council, as the recipient of its 2013 Lifetime Achievement Award, the institute said in a statement. Mr.

Gillett spent 20 years with Johnson & Higgins (Bermuda) Ltd., where he developed the brokerage’s global captive management operations, and went on to become president of Ace Risk Management International before retiring in 2007, the institute said. He also held various leadership roles with Bermuda-based insurance trade groups.

The Council of Lloyd’s nominates new member

■ Henrique De Campos Meirelles has been named a nominated member of the Council of Lloyd’s, Lloyd’s of London announced. Mr. Meirelles previously served as governor of the Central Bank of Brazil. He cur-

rently serves as chairman of Lazard Ltd.’s South American operations and president of the Brazilian Olympic Public Committee, among other things. The Council of Lloyd’s is responsible for the management and supervision of the Lloyd’s market and is made up of six working, six external and six nominated members.

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EDITORIAL

HONORING OUTSTANDING MANAGERS

Building an outstanding risk management program from scratch is quite a task. Putting in place safety and loss prevention measures, building an effective insurance program and instilling a culture of risk management within an organization takes time, expertise and commitment, for sure, but it also requires softer skills. An ability to communicate with co-workers and other department heads, decisiveness in dealing with problems and having faith in the ability of others are all attributes that can ease the process of creating a program.

Fortunately for Prince William County, Va., these are attributes that its risk management division chief, Lori J. Gray, has in abundance.

Tasked with taking on risk management responsibilities for a public entity that had previously tried to outsource the function, Ms. Gray built an innovative risk management program that won the respect of the county's leadership and the acceptance of the county's employees.

In addition, it won her title of *Business Insurance* 2013 Risk Manager of the Year®.

Our 2013 Risk Management Honor Roll® members have demonstrated similar skills as they took their risk management programs to the next level.

Michael D. Horvath, senior vice president of risk management at Simon Property Group Inc., joined the company in 1996 and has been the driving force behind its integration of enterprise risk management throughout its operations. His proactive and disciplined efforts have ensured that Simon Property's managers and other employees understand the true value of risk management to the enterprise.

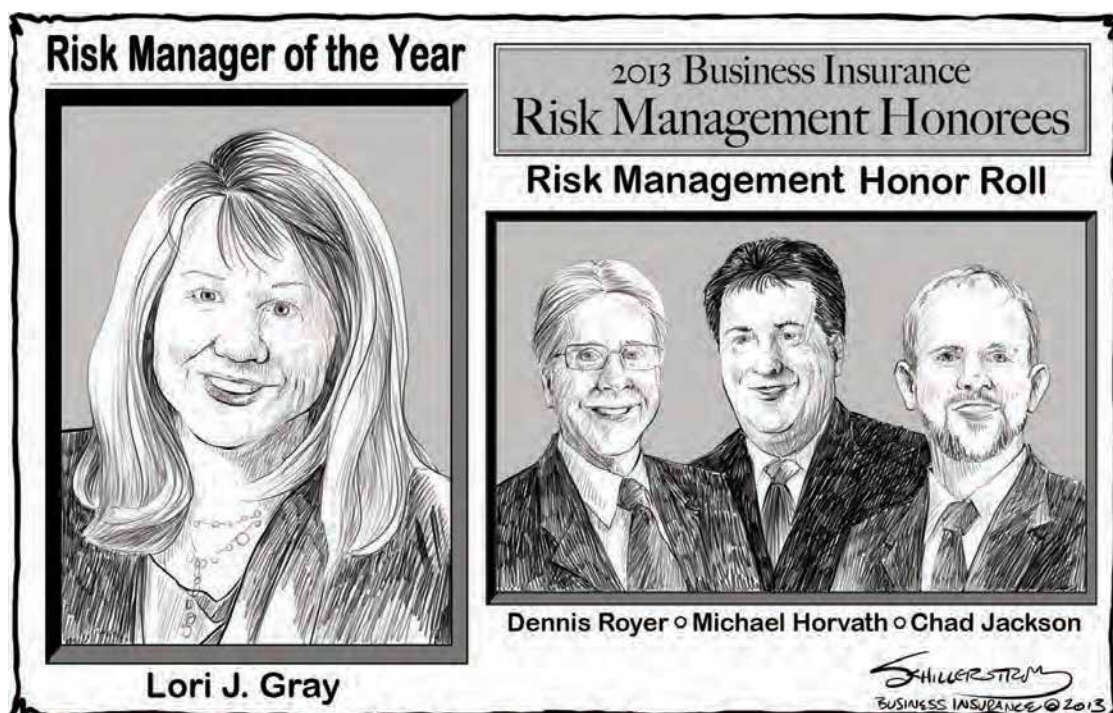
Chad C. Jackson, staff director of risk management at FedEx Corp., has based his risk management decisions on data analytics since he joined the company five years ago. That sound foundation enabled him to take decisive measures to restructure the company's insurance program, which reduced its total cost of risk by \$30 million.

And Dennis G. Royer, senior director of risk management at AutoNation Inc., joined a much smaller risk management department than he was accustomed to when he took the job in 2007, and used his people skills to collaborate and partner with other departments to develop a robust enterprise risk management program that has reduced AutoNation's cost of risk by 28%.

You can read all about the risk management programs of our 2013 honorees in this issue of *Business Insurance*. Congratulations to all on their outstanding achievements.

Please send your letters to:
Letters to the Editor, Business Insurance,
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SCHILLERSTROM



COMMENTARY

IT'S TIME FOR CONGRESS TO ACT ON BROKER LICENSING MEASURE

Here's a suggestion for a Congress that's often dismissed as little more than a do-nothing, ideologically driven debate society: Pass the National Association of Registered Agents and Brokers Reform Act of 2013 as soon as possible.

This ought to be a no-brainer. NARAB II, as it's more commonly known, would set up a clearinghouse for interstate producer licensing. This is not exactly a new idea; the Gramm-Leach-Bliley Act called for the creation of NARAB in the last century. The catch was, GLB said NARAB wouldn't automatically come into existence if the National Association of Insurance Commissioners found that at least 29 states enacted reciprocal or uniform licensing laws. In 2002, the NAIC certified that 35 states had done so.

But the effort to ease the costly burden of multiple state licensing didn't exactly work out as planned. Efforts to create NARAB despite the NAIC's certification that a sufficient number of states had met the GLB standards gained steam. These efforts were backed not only by producers but by the NAIC itself, which recently testified in favor of NARAB II.

So what's the holdup? The truth is, there shouldn't be any. The NARAB II legislation has been introduced in both houses of Congress. Its chief sponsors happen to be the chairs and ranking members of the Senate and House of Representatives subcommittees who deal with insurance matters. This is an example of bipartisanship at its best.

And that's the way it should be. The current system of interstate licensing is cumbersome and expensive. Costs of meeting the system's demands get passed on to consumers. Anything that cuts transaction costs



MARK A. HOFMANN
SENIOR EDITOR

without sacrificing quality services deserves applause.

No one's going to argue that NARAB II is perfect; few pieces of legislation are. For example, the membership of its board is heavily stacked toward state regulators. A better balance between the regulators and the regulated might be desirable, but NARAB II is the best vehicle for streamlining licensing that's available right now.

It's likely to stay that way for a while, too. Optional federal charters and licenses for insurers and producers — attractive as they may be — aren't likely to be taken up by Congress any time soon. The financial crisis that began in 2007 and nearly brought down American International Group Inc. and other well-known financial institutions has made further financial deregulation highly unlikely in the foreseeable future.

There's been little if any significant opposition to NARAB II so far, but that doesn't mean it might not emerge. That's all the more reason for Congress to move quickly on this matter.

NARAB II might not be the sexiest piece of legislation to be introduced in this Congress, but it should be one of the easiest to pass. Passing it would give lawmakers a bipartisan achievement to point to. More importantly, it would prove that they can do the right thing when an opportunity like NARAB II presents itself.

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Risk management built from scratch



RISK MANAGER OF THE YEAR[®]
Lori J. Gray
PRINCE WILLIAM COUNTY, VA.

BY ROBERTO GENICEROS

Risk management and safety practices were sorely lacking when Prince William County, Va., hired Lori J. Gray as a risk manager in 1999.

The northern Virginia county, which is near Washington, recently had scuttled its attempt to outsource risk management, no one was watching over a third-party administrator whose nurse case manager mistreated injured county employees and a risk management staff essentially didn't exist, among other challenges.

But since then, Ms. Gray has created a risk management department — essentially from scratch — that

organizations such as the Public Risk Management Association have held up as an example for other local governments to follow.

Along the way, Ms. Gray, who now is risk management division chief, helped convert county departments such as police and fire into true believers in risk management. She also cut losses so that dividends from a self-insurance program can fund risk reduction measures and smooth out premium increases for the insurance that the county buys. In addition, she implemented an environmental management program that has been recognized for its excellence.

Those are just a few of the accomplishments that have led to Ms. Gray's selection as *Business Insurance's* 2013

Risk Manager of the Year[®].

"She is so passionate and enthusiastic about risk management," said Prince William County Deputy County Executive Christopher E. Martino, who recalls "things were not so good" in risk management when he hired Ms. Gray.

She also has fought to improve a health clinic for the county's public safety employees, which is a significant loss reduction measure because Virginia workers compensation law holds that cancer, coronary issues and other ailments are presumed to be automatically caused by a public safety worker's normal duties.

See **GRAY** page 16



Zurich congratulates the year's best in risk management.

We congratulate **Lori J. Gray**, Prince William County, Va., named *Business Insurance* 2013 Risk Manager of the Year®, and 2013 Risk Management Honor Roll® honorees **Michael D. Horvath**, Simon Property Group, **Chad Jackson**, FedEx Corporation and **Dennis Royer**, AutoNation Inc.

Thank you for your great contributions to the risk management profession. **Visit us at zurichna.com**



PRINCE WILLIAM COUNTY, VA.

Entity: Prince William County, Va., government provides 420,000 residents with various services including public works, police, fire and courts.

Founded: 1731

Headquarters: Prince William, Va.

2012 financials: Fiscal 2012 revenues were \$1,072,863,000

Employees: 3,600 working in more than 30 departments.

Did you know: Prince William County is located on the Potomac River near Washington, and is home to the site of historic Civil War events such as the First Battle of Bull Run.

GRAY

Continued from page 14

And she has implemented dozens of other measures such as data tracking to pinpoint losses, a wellness program for county employees and a safety rewards program to reinforce desired employee practices.

Ms. Gray succeeds because her public relations efforts won buyin from county employees and her

peers across county management, said William F. Becker, national practice leader in Washington for Aon Risk Solutions' public sector group, which places insurance coverage for Prince William County.

She also has won the respect of county government executive leaders and the Prince William County Board of Supervisors, so her risk management initiatives get support, Mr. Becker added.

Prince William County employs about 3,600 workers in more than 30 departments that serve 419,000

residents living across 348 square miles.

Ms. Gray's risk management division consists of 10 full-time employees and one part-time employee. It has fostered cooperation between the diverse county departments to reduce their exposures, said Steven A. Solomon, the county's director of finance.

For instance, a county safety and health council that the risk management division coordinates brings together representatives from many of the county's diverse

agencies to help devise strategies to mitigate the county government's exposures.

"Risk management is the catalyst that brings them together," Mr. Solomon said.

Ms. Gray also is board chair for the Prince William Self-Insurance Group, overseeing two self-insurance pools covering county risks. She uses pool premium charges to make county departments take notice of their losses, and she uses pool dividends to pay for programs that help them reduce exposures.



Safety the top priority

The training programs she has implemented help remind county workers — many in jobs such as public works and public safety, where hazards are common — to think of safety first.

"What (the risk management) office has done is really entrenched in the county," said Jay Lanham, assistant chief for the Prince William County Police Department's operations division. "I mean, everybody pays attention to (safety) all the time. They keep us thinking about it, which is good."

The results speak for themselves.

The county's general liability losses have remained below \$30,000 a year for more than 10 years, "which is amazing for a public entity when we have a jail, a sheriff's department, a police department, a fire department, public works and a landfill," among other departments, Ms. Gray said.

The Public Risk Management Association recognized Ms. Gray's work by naming her the 2008 Public Risk Manager of the Year.

However, she also has faced challenges.

Ms. Gray recalls her first day on the job, when she found the files for the county's self-insurance program and risk management left unattended in a hallway.

"The first three years were a struggle," she said. "It was starting from scratch."

Earning respect for her division meant conducting an enterprisewide risk assessment.

She also fired the third-party administrator after it failed to heed her warning to improve, and then she completely restructured the county's handling of claims.

Ms. Gray also learned about the health and safety needs of county departments by listening to their needs, and she hired experienced risk management division employees capable of managing themselves when incidents needing their immediate attention arise.

"We are given authority to do what we know needs to be done," said Jennifer Boeder, an environmental specialist in the risk management division. "She is not a micromanager."

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Lori J. Gray (center) with (from left) Michelle Attreed, deputy finance director; Christopher Martino, deputy county executive; Steven Solomon, finance director; and Melissa Peacor, county executive.



MICHAEL MARCOTTE

Self-insurance programs add risk management resources

Dividends fund loss-control efforts, pay premiums

BY ROBERTO CENICEROS

The risk management division of Prince William County, Va., oversees two self-insurance pools

that have returned more than \$15 million in dividends or surplus to participants since 2001.

One pool covers workers compensation risks, while the second pool provides coverage for other liabilities.

The dividends result from successful claims mitigation efforts and have been reinvested to pay for innovative loss control measures.

The premium credits also have been applied to offset premium payments that county government departments would otherwise have to contribute toward for their insurance costs, said Lori J. Gray, Prince William County's risk management division chief.

"That has been huge, because we haven't had to go to the Board of County Supervisors and ask for more money," particularly during challenging budget times, Ms. Gray said.

The dividends come from the Prince William Self-Insurance Group, which is a separate entity from the county government but is managed by the county's risk management division, and Ms. Gray chairs the group's seven-member board.

Two entities now participate in the PWSIG, including Prince William County's government and the Prince William-Manassas Regional Adult Detention Center, which houses about 900 inmates daily.

PWSIG consists of the Workers' Compensation Association pool, which covers losses from workplace injuries; and the Prince William Self-Insurance Group Casualty Pool, which covers general liability, environmental liability, professional liability and auto losses.

"We are the only municipality in the state of Virginia that runs two insurance pools," Ms. Gray said.

Public-sector insurance pools typically cover the combined risks of several governmental entities, said William F. Becker, national practice leader for the public sector in Washington for Aon P.L.C., which places the county's insurance.

But the Prince William County pool arrangement is unusual because it mostly insures the risks of departments within Prince William County's government.

"This is a county that runs their (insurance) program like a pool," Mr. Becker said.

PWSIG was established in 1989

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POOLS: Risk management resources

Continued from page 18

and is regulated by the Virginia State Corporation Commission.

Its workers comp pool retains the first \$1 million per claim with excess insurance purchased from Ace Ltd. Prince William County's government paid roughly \$3.6 million of premiums into the pool for 2013, Ms. Gray said.

The liability pool, meanwhile, retains \$750,000 per claim and buys excess insurance from Stamford, Conn.-based Genesis Insurance Co. The county paid \$1.3 million in premiums into the pool for 2013, Ms. Gray said.

Prior to Ms. Gray being hired in 1999 as the county government's risk manager, PWSIG disbursed just one dividend. Pool partici-

pants used that money for general expenses not tied to insurance or loss control, Ms. Gray said.

But for PWSIG to remain financially viable and for her risk management division to become a success, Ms. Gray said she believed claims needed to be controlled and she needed to demonstrate the value of risk management.

So in 2002, she convinced county

government leaders to dedicate the county government's share of a PWSIG dividend for loss control measures.

Meanwhile, Ms. Gray had spent the first two years in her risk management role meeting with county government department directors, asking about the risks that kept them up at night and how she could help.

"Most of them felt security at work was their biggest risk," Ms. Gray said. Years earlier, the

Prince William County Police Department had conducted a study of county building security, but its recommendations had not been implemented. So Ms. Gray worked with the police and an advisory group, composed of people representing most county agencies, to implement some of the security measures suggested in the police report.

A \$1.3 million dividend disbursement from the PWSIG paid for building improvements such as installing a barrier between a probation department receptionist and visitors to the department.

That helped county departments view Ms. Gray's risk management division as a unit that cared about their safety, she said.

"The improvements were not big-ticket items," Ms. Gray said. "But that is how everybody started to like risk management, because we were able to help them."

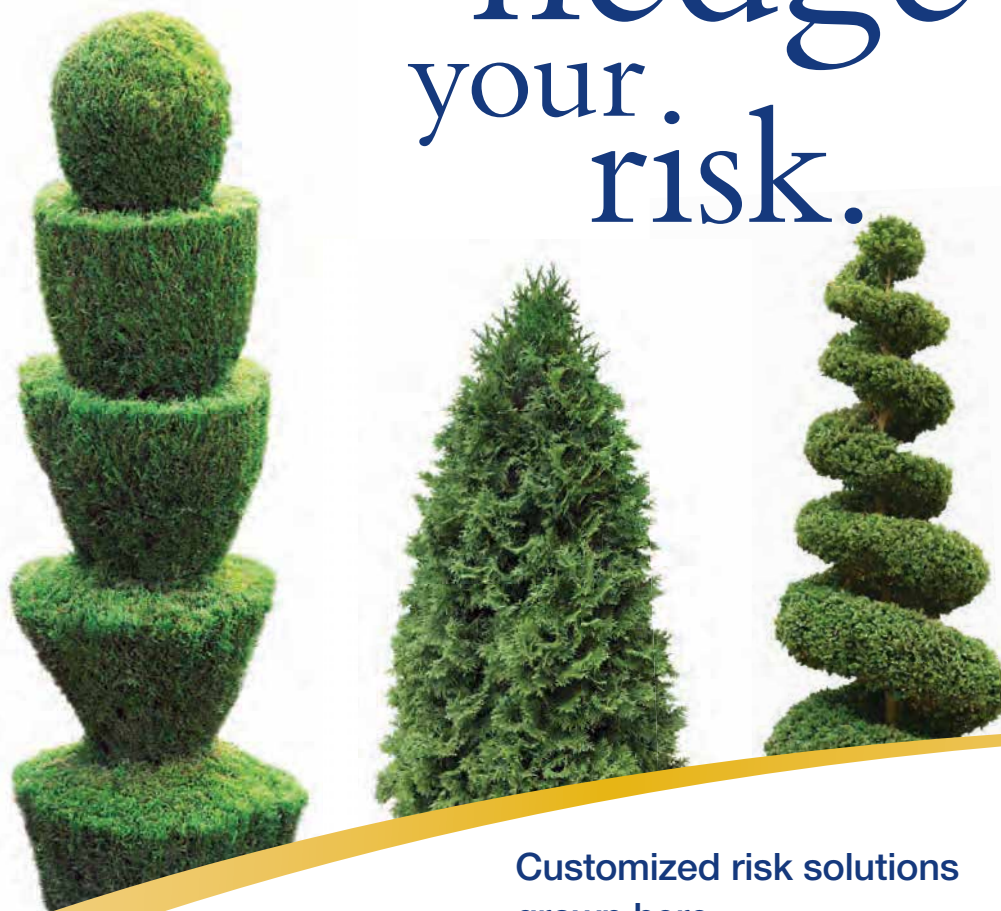
The most recent dividend, for 2012, will be used to offset premiums over the next three to five years.

For PWSIG coverage, Prince William County government

"The improvements were not big-ticket items. But that is how everybody started to like risk management, because we were able to help them."

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departments each pay premium amounts based on the frequency and severity of claims each department generates. That way, there is a direct correlation to the costs each department generates so they take notice of their losses.

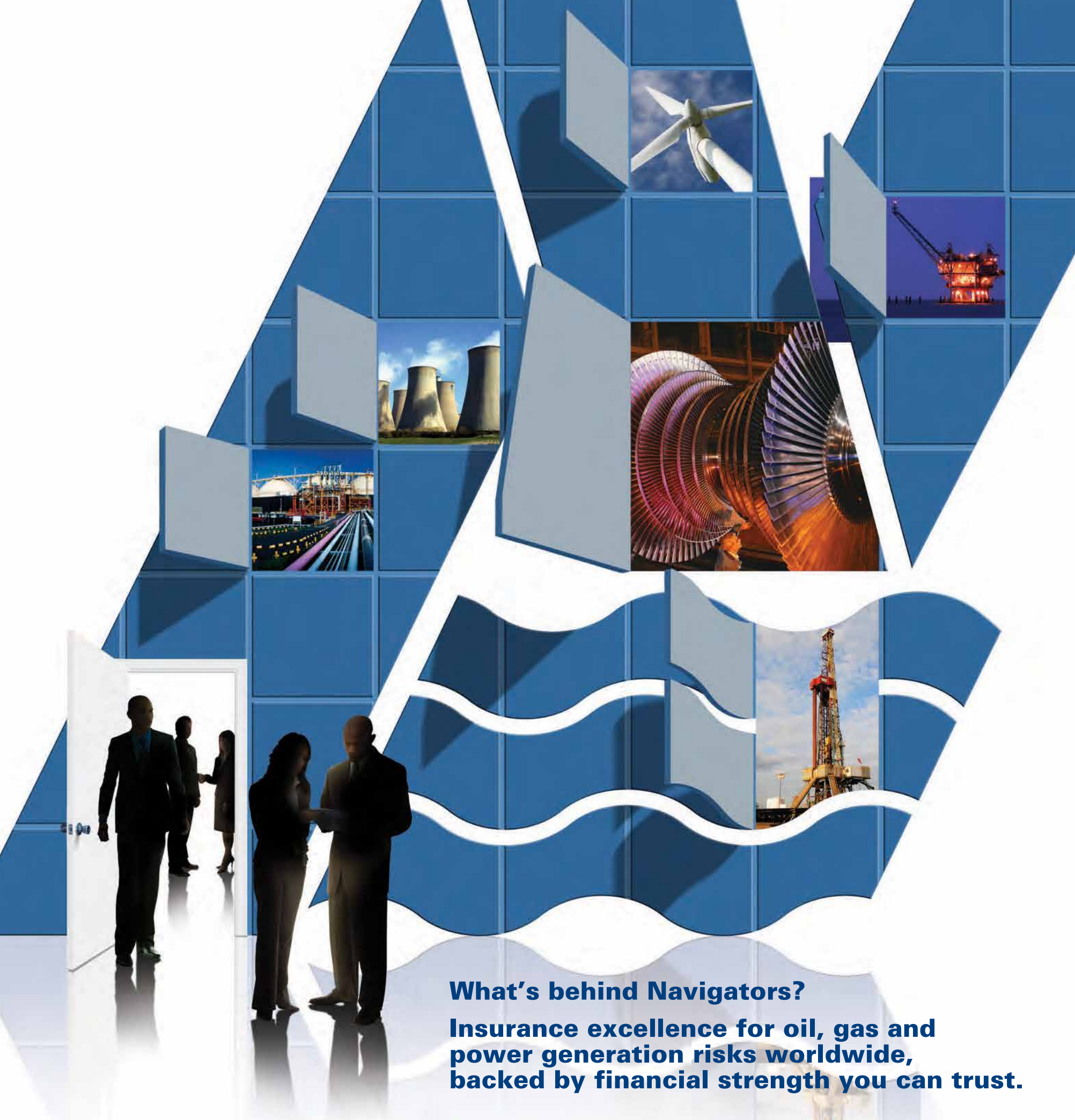
Other factors also determine premium contributions. A department's payroll size, for example, helps determine workers comp premium amounts.

The dividends PWSIG generates essentially result from surplus produced because the pools have been operated so well over the years, Aon's Mr. Becker said. Spending that surplus on new loss mitigation measures means the improvements continue producing new savings.

"The program gets tighter and tighter, and they save more money that they keep reinvesting," Mr. Becker said.

The creative loss control initiatives the dividends have funded include driving simulators for training police and fire personnel, an employee health and wellness program, and a program for diagnosing and treating public safety employees exposed to infectious diseases.

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INJURED WORKERS GET QUICK, PERSONAL TREATMENT

Holistic approach includes training supervisors, screening physicians

BY ROBERTO CENICEROS

Reducing workers compensation claims severity among injured Prince William County, Va., employees didn't happen by accident.

The county's risk management division actively manages claims through constant contact with injured workers, screening treating physicians and training department supervisors on reporting accident injuries.

As a result, the lost workday incident rate per 100 county employees has dropped from 4.84 in 2004 to 1.5 in 2012, said Lori J. Gray, the county's risk management division chief. For 2012, the county's total workers comp claims severity decreased to \$1.45 million from a four-year average of \$2.65 million.

Before the county hired Ms. Gray in 1999, department supervisors reported worker injuries directly to a third-party administrator.

But Ms. Gray changed that practice. Now, department supervisors report injuries first to Ms. Gray's claims staff, which works closely with the county's TPA to manage cases as long as they remain open.

"From day one ... we are continuously involved," said Johnnie Winslow, the division's claims manager. "For example, if we have an employee with an injury severe enough for surgery, we are involved in the entire process and what happens day to day."

That means staying in contact with claimants and being a liaison for TPA employees, such as nurse case managers. The county contracts with Blue Bell, Pa.-based Pennsylvania Manufacturers' Association Insurance Co. for TPA services and has real-time access to case files so Ms. Winslow can review TPA staff notes as soon as they are entered.

Requiring county department supervisors to report to the risk management division first provides several advantages that include allowing immediate contact with injured employees.

"It creates a great deal of trust (among injured employees) and helps them realize our focus is their well-being," said David Wenzel, the risk management division's health and safety manager. "So there are benefits to having claims come in-house first."

Injury prevention through coordination with safety staff is one of those benefits, Mr. Wenzel said. If the risk management division notices an increase in injuries in a certain area, for example, the divi-

sion's safety personnel can immediately conduct a site inspection to suggest improvements before more accidents occur.

The process also assures that as soon as recovering employees are

medically capable, they are assigned to modified-duty roles, Ms. Gray said.

Reporting claims first to an in-house risk management department rather than routing them

directly to a TPA is considered a best practice, said Michael MacAulay, vice president of sales in Mount Laurel Township, N.J., for PMA Management Corp.

In-house risk management staff

"are the eyes and ears of the county employee base" and know more about a claimant's work role than the TPA does, Mr. MacAulay said. That means the in-house staff can glean valuable information to help



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determine whether a claim is compensable or whether further investigation is necessary.

To aid that process, the risk management division trains department supervisors on how the workers comp system works and on the procedures to follow when worker injuries occur, Ms. Winslow said.

Reducing claims severity also means selecting the right doctors to treat injured workers, Ms. Gray said.

Under Virginia law, an employer can direct employees to specific doctors but must give the worker a choice among at least three medical providers.

Before selecting the doctors allowed to treat county workers, the risk management division's staff meets with them. Those medical providers not committed to helping injured workers improve and return to the job need not apply.

But to help selected doctors

understand the duties they will be returning workers to, the risk management division periodically invites the physicians to the county's facilities to see the types of jobs workers must perform and the equipment workers must operate.

The risk management division also hosts breakfasts for the doctors so they can meet the nurse case managers, county attorneys, claims administrators and others managing the county's claims.

Civil War anniversary prompts scramble for coverage

Endorsement resolves property owner's concerns

BY ROBERTO CENICEROS

Staging a massive civil war battle re-enactment forced the risk manager of Prince

William County, Va., to scramble for insurance coverage.

The county in northern Virginia is home to the site where Union and Confederate troops clashed for the first time in 1861 in the First Battle of Bull Run, referred to as First Manassas by the Confederate States Army.

To help host a 150-year anniversary re-enactment in 2011, the county prepared for thousands of people who would participate as soldiers and spectators.

Preparations included more than a year of planning by the Prince William County Police Department. But just three months before the event and with tickets already sold, the county learned that a nonprofit staging the multiday re-enactment couldn't obtain the necessary insurance arrangements.

"So I got thrown into that," said Lori J. Gray, the county's risk management division chief.

Her challenges included getting information to help her broker, Aon P.L.C., convince a general liability insurer to underwrite coverage for the re-enactment held on private farm land. The underwriters needed to know the number of re-enactment participants expected, how many days they would camp on the property, what their rifles and cannon would fire and so on.

American International Group Inc. eventually wrote the coverage.

Ms. Gray also considered weather insurance, but she didn't buy it because tickets purchased by spectators were nonrefundable and the county would not be liable for a cancellation.

Biggest challenge

Her biggest insurance challenge came when the property owner did not understand that the general liability insurance policy the county had purchased would pay should the farm's buildings suffer damage during the event. The owner insisted the county obtain property insurance.

So Ms. Gray arranged for the county's property insurer, Affiliated FM, a unit of Johnston, R.I.-based FM Global, to add an endorsement to the county's property policy to cover the re-enactment at no additional cost.

FM did so, Ms. Gray said, because it understood that the general liability insurer would have been on the hook should the had the farm buildings suffered any damage.

of the Year

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Data drives risk management decisions for county

BY ROBERTO CENICEROS

If the risk management division of Prince William County, Va., were an automobile, it would be fueled by data that propels the car along the best routes to avoid accidents.

Automobile accident frequency, average workers compensation claim costs, and employee days away from work due to injuries — each dissected by cause or by the county department generating the losses — are just a few of the statistics the risk management division collects and analyzes.

It tracks the data to educate county workers, department directors, county executives and political leaders on where safety improvements are needed.

"It's a beautiful thing (when) you can go through your claims and identify exactly what is happening where, what day of the week, what time of the day, and put the right program together" to reduce losses, said Christopher E. Martino, Prince William County's deputy county executive.

The data is distributed in weekly reports provided to the county Safety & Health Council, a group of

representatives from several county departments who help promote safety and determine risk management priorities.

Weekly data updates also go to department directors. Similarly, quarterly loss analysis reports on vehicle accidents and workers comp claims go to the directors as do semiannual analysis reports on open workers comp claims.

There is also an annual Risk Report the risk management division produces. The 2012 Risk Report contains 82 pages of easy-to-read color charts showing each county department's losses for the year. The report also contains information on the county's insurance expenses and bullet points highlighting risk management division programs and services to reduce exposures.

The report helps communicate risk management's role and calls attention to loss prevention needs and improvements, said Lori J. Gray, Prince William County risk management division chief.

"This is selling your risk management program," Ms. Gray said. "You have to have data to justify your existence and know how you are doing."

Mr. Martino agrees.

"When you are in front of (county) decision-makers arguing for additional resources (for loss control programs), you have to have the numbers," Mr. Martino said.

Data helped him convince county leaders several years ago, for example, to invest dividends from the county's self-insurance program in loss prevention measures, Mr. Martino said. Before that, the self-insurance program's surplus did not flow to risk management programs.

Data-based investments

Without data pinpointing how investments in safety and risk management reduce costs, county decision-makers would see requests for funding merely as "another expense" that needs to be cut, Mr. Martino said.

Prior to Ms. Gray's hire as the county's risk manager in 1999, the only risk management data available came from a third-party administrator and "frankly, that data was useless," Ms. Gray said.

Implementing her plans to track and document incident information began in 2001, when she con-

tracted with Blue Bell, Pa.-based Pennsylvania Manufacturers' Association Insurance Co. for TPA services, Ms. Gray said.

Her contract calls for PMA to provide her with customized data on workers comp, general liability and third-party auto liability claims. Her risk management division uses an internal database to track first-party auto liability claims and property losses.

Now, "we can break data for incidents all the way down to a fire station and even break it down to an individual medic unit," Ms. Gray said.

The PMA contract requires the insurer TPA to deliver claims data in a format that may be different for each county department based on each department's specific needs, Ms. Gray said.

Each department "determined how they wanted (the data) collected because they are the ones that are going to use it for their benefit," Ms. Gray said.

But developing internal databases and data tracking systems required Ms. Gray's risk management division to streamline the county's incident reporting forms to make it easier for employees

involved in accidents to explain what happened, she said.

The efforts have won her recognition. In 2007, the Public Entity Risk Institute honored Ms. Gray for benchmarking motor vehicle collision performance.

But her division doesn't stop at just tracking data and producing reports. There is also risk management outreach. After the annual risk report's release, for instance, Ms. Gray's team presents its findings at a management meeting for county directors.

Similarly, the report's data is presented to midlevel managers working in each of the county's larger departments.

That gives Ms. Gray an opportunity to collect input from managers on what she can do to help reduce their exposures.

"For example," Ms. Gray said, "when we met with (the fire department) this year, they brought up strain and sprain injuries from medics lifting stretchers."

That has led to a pilot program partially funded by the risk management division to see if automated lift stretchers can reduce fire department injuries.

COMPREHENSIVE PROGRAM COVERS ARRAY OF RISKS

Prince William County, Va., insures more than \$432 million in property risks, says Lori J. Gray, the county government's risk management division chief.

For 2013 coverage, the county paid \$197,000 to Affiliated FM, a unit of Johnston, R.I.-based FM Global, for covering those risks with a \$25,000 deductible, Ms. Gray said. The premium for the 2013 property coverage is 2.5% lower than the paid cost of the prior year.

The deductible is low, but the county has kept its losses and costs down, she said.

The county reported five claims with losses totaling \$15,975 for 2012. Claims falling below the deductible are paid from the general fund.

Other insurance the county purchases includes coverage for aviation liability, crime and fiduciary, with the fiduciary policy written by Travelers Cos. Inc. to handle employee pension plans. The county pays Travelers \$6,773 for the cover, with a \$1 million limit and no deductible.

National Union Fire Insurance Co. of Pittsburgh, Pa., a unit of American International Group Inc., provides crime insurance with a \$1 million limit and a \$25,000 deductible. The county pays \$24,000 for the coverage, Ms. Gray said.

Meanwhile, Chubb Corp. unit Federal Insurance Co. underwrites an aviation policy for "nonowned" aircraft, for which the county pays \$6,864 for \$5 million in limits with no deductible.

Ms. Gray also negotiates for excess insurance for two self-insurance pools.

A workers compensation pool retains the first \$1 million per claim with excess cover bought from Ace Ltd. for \$266,000 for 2013. Ace provides \$10 million in limits per claim with a \$20 million aggregate.

A liability pool retains \$750,000 per claim with the pool paying Stamford, Conn.-based Genesis Insurance Co. \$451,000 for 2013 excess coverage with statutory limits.

By Roberto Cenicerros

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Accident-prone police officer gets in-person risk management lesson

Safety efforts reinforce good behavior through annual award, punish preventable losses with financial penalties

BY ROBERTO CENICEROS

A Prince William County, Va., police officer involved in too many preventable automobile accidents spent a week helping the county's risk management division to gain perspective on the costs arising from his conduct.

Ordering the otherwise good employee, to help analyze the claims and costs the county incurs when officers damage police cars "opened his eyes quite a bit," said Jay Lanham, assistant chief for the Prince William County Police Department's operations division.

A new police car with its required technology costs \$50,000 and replacement takes months, which is time a car is not employed for patrols, Mr. Lanham said. Additionally, accidents expose the county to third-party liability and workers compensation expenses.

The disciplinary measure for the accident-prone officer offers just

one example of how the county's risk management division works with county departments to reduce accidents and liability exposures by shaping employee behavior.

But it's not all punishment. The risk management division often works to reinforce good behavior.

"That is a big part of all of our jobs, to shine the light on people that are doing great things," said Jennifer Boeder, an environmental specialist in the county's risk management division.

One way the risk management division does that under the direction of Lori J. Gray is by sponsoring an annual safety awards program and ceremony.

The program's theme is to "catch people doing the right thing," and the police department in 2012 took the county's highest honor — the Risk Manager's Award — for tallying the greatest average reduction in rates of occupational injuries.

The police department also was



MICHAEL MARCOTTE

Prince William County's risk management staff, led by Lori J. Gray (right), includes (from left, front) Jennifer Boeder, environmental specialist; Pam Morehead, administrative support coordinator; (middle) Ellen Nolan and Braith Nash, safety specialists; Johnnie Winslow, claims manager; (back) David Wenzel, environmental, health and safety manager; Gavin Driscoll, safety specialist. Not pictured: Tricia Andrews, Marlene Mears and Katie Sutton.

recognized with a safe driving award for its reduction of pre-

ventable collisions.

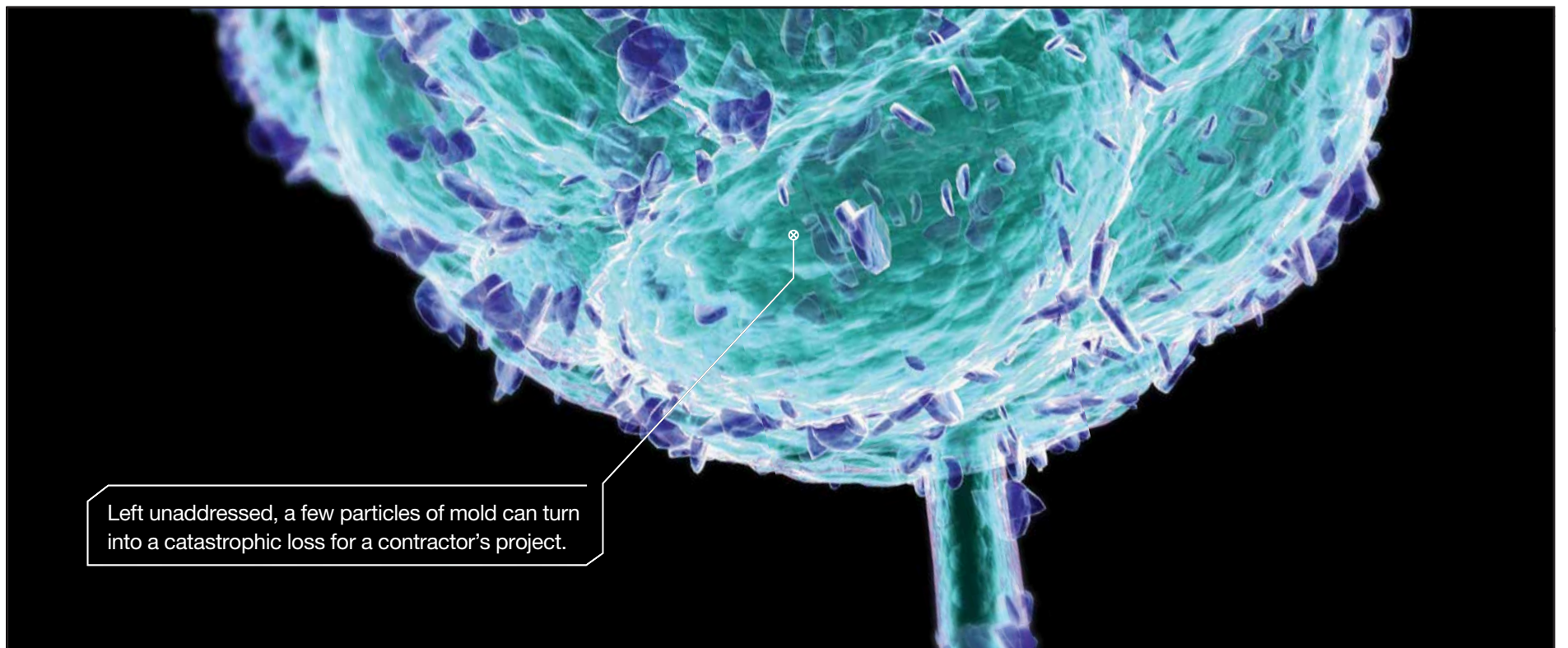
Anyone working for the county

can nominate individuals or departments for the safety recognition. A county safety and health council selects the annual winners.

While the safety recognition represents the carrot approach, county supervisors, employees and their departments also are held accountable for work-related auto accidents that a collision review Committee deems "preventable," Ms. Gray said.

Such accidents are noted in employee and department performance reviews, and there are financial penalties.

The county government self-insures its workers comp and liability risks through a pool into which county departments pay annual premiums for their share of coverage. Each time an employee is found responsible for a preventable accident, that department must pay an additional charge of up to \$1,000 for their auto insurance coverage, Ms. Gray said.



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PROFESSIONAL LIABILITY

Health clinic improvements save lives, reduce comp costs

BY ROBERTO CENICEROS

The risk manager and an assistant fire chief of Prince William County, Va., teamed up for a decade to push for a revamp of a health clinic for county public safety employees that they found lacking.

The clinic had provided physicals since the early 1990s, but the exams lacked rigor and didn't include screenings for heart, lung and cancer conditions that Virginia workers compensation law presumes are automatically caused by a public safety worker's job, recalled Tim Keen, assistant chief for the Prince William County Department of Fire and Rescue.

Today, the clinic's improved physical examinations and disease screenings help save lives and reduce workers comp costs through the early detection of such illnesses. It also is likely that the clinic positively affects county health benefit spending because the county self-insures those costs, said Lori J. Gray, the county's risk management division chief.

"Either way, whether its comp or health (care benefits), we are still paying one way or the other out of county funds for employee illnesses," said Ms. Gray, who recalled many days lobbying for the health clinic improvements.

The Virginia Department of Health previously managed the clinic with oversight by county public safety agencies, she said.

But since 2010, the county's risk

management division has managed the clinic and contracts with Falls Church, Va.-based Inova Health System to operate it. The clinic, centrally located near other county facilities, now conducts rigorous stress tests and physicals that adhere to medical evaluation standards set by the National Fire Protection Association for firefighters, Mr. Keen said.

It also provides health services for public works employees and other departments; evaluates workers for exposure to infectious diseases; and conducts pre-employment screening, drug testing and fit-for-duty exams, Ms. Gray said.

The clinic's improved physical exams and screenings have uncovered cancers and other illnesses in their early stages — including finding in 2012 that two of his own coronary arteries were more than 90% blocked, Mr. Keen said.

"They would not have been found without the (NFPA) protocol in place," he said. "The cardiologist said that they would never have found it with a normal stress test."

The clinic has become a model for other local governments, but it's only one of several fire department and risk management collaborations for Prince William County, Mr. Keen said.

Years ago, the fire department found that that many recruits were suffering strains and sprains under its training regimen's physical demands, Mr. Keen said. So the department turned to Ms. Gray

for help, taking her staff to its training academy to demonstrate how injuries were occurring.

Together, Mr. Keen and Ms. Gray lobbied the county for a facility designed to administer candidate physical ability tests developed under an international standard for screening job applicants.

"We had to get all of the players within county government involved, which included the county executive's office, the budget office, the finance office, and do numerous presentations, Mr. Keen said. "And Lori and I worked together side by side."

In 2003, they obtained county funds and grant money totaling about \$350,000 for the facility. Ms. Gray and Mr. Keen said they believed the testing facility would help reduce injuries by 30% — but they found it actually has led to a 40% reduction in recruit injuries.

This success is significant because training a recruit costs about \$27,000, and the testing facility is now part of the fire department's efforts to prevent loss of its training investment due to candidates washing out or having to redo the training because of injuries, Mr. Keen said.

"A typical knee injury, a shoulder injury or back injury was running about \$18,000," Mr. Keen said. "So reducing those injuries reduced our workers comp costs as well as lost time ... because if (injured trainees) missed 10% of recruit school, they had to cycle back through."



MICHAEL MARCOTTE

Lori J. Gray, with Daisy and Comet, says animals are her passion.

RISK MANAGER'S EFFORTS SAVE ANIMAL SHELTER

Some people talk about rescuing their pets from an animal shelter, but Lori J. Gray has helped rescue an entire shelter along with a pet.

As risk management division chief for Prince William County, Va., Ms. Gray has applied dividends from the county's self-insurance program to pay for facility improvements that reduce liability and workers compensation exposures at the county's animal shelter.

But as a volunteer, she also organized an annual golf tournament for 10 years that raised money for the shelter. The proceeds funded implanting microchips that help reunite lost pets with their owners, air conditioning for run areas where animals are kept and spay/neuter services.

And one of Ms. Gray's two dogs, an 11-year-old English springer spaniel named Comet, came from the shelter. Her other dog is a 7-year-old yellow lab named Daisy.

"That is my passion — animals," Ms. Gray said.

Using dividends from two insurance pools, animal shelter improvements have included separating the entrance and exit at an intake area to avoid dog bites, an automated pet lift table to help prevent worker strains and sprains, and paving the shelter's parking lot.

"It was the only facility in the county that didn't have a paved parking lot," raising the potential for slip-and-fall injuries, Ms. Gray said.

The golf tournaments Ms. Gray organized drew from the region's risk management community and county employees.

While she stopped organizing the tournament due to competition from other golf tournaments, her involvement has left the animal shelter far better off.

"It's 100% better," said Pam Morehead, an administrative support coordinator in the risk management division.

By Roberto Cenicerros

Risk management takes control of county's diverse environmental exposures

BY ROBERTO CENICEROS

The risk managers of Prince William County, Va., oversee an environmental management program to mitigate pollution liability and keep the county government from running afoul of state and federal regulations and potentially hefty fines.

The program is unusual because most local governments in the region are organized so each service department separately addresses environmental exposures or pollution that each generates, said David Wenzel, the risk management division's health and safety manager.

But the county's risk management division oversees environmental management for the entire county government. That means risk management staff coordinates training programs for county employees handling hazardous materials, tracks county regulatory compliance, conducts site inspections and responds to fuel spills, among other

responsibilities, assuring that all departments continually focus on risk mitigation.

Particular attention is paid to hazardous waste generated by county operations, chemical safety and storage, and the proper oversight of more than 100 fuel tanks the county operates, said Jennifer Boeder, a risk management division environmental specialist.

"It just takes one tank to spill and you could be talking millions of dollars, not just in damages but in fines," Ms. Boeder said. "It's important we keep (the tanks) in good condition, that people are trained to respond to a spill if there ever were one, that everyone knows the components so they know what to look for if a tank has an issue with its integrity. So there is a lot that goes into keeping our eye on them."

Before the risk management division assumed responsibility for managing environmental exposures, many county departments lacked the expertise necessary to address the exposures, said Lori J. Gray,

risk management division chief.

That put the county at significant risk of paying fines ultimately borne by taxpayers, Ms. Gray said.

So in 2003, Ms. Gray's division began adopting the U.S. Environmental Protection Agency's Environmental Management Systems program for the entire county government. The EPA's program provides a framework for entities seeking to improve their environmental performance while reducing regulatory compliance risks.

Participating in the program saves the county money because it requires her risk management division to help individual county departments continually improve their environmental stewardship, Ms. Gray said.

For instance, under the environmental management systems program, the county's public works division updated and improved electrical systems at three facilities, resulting in \$160,000 in energy cost savings

during 2012.

Those savings will continue into the future, with some of the money applied toward more energy and water conservation projects, Ms. Boeder said.

Prince William County also participates in the Virginia Department of Environmental Quality's Virginia Environmental Excellence Program for organizations whose environmental records exceed their regulatory compliance requirements.

Because state and federal regulators know the county proactively manages its environmental exposures and quickly notifies them when there is a fuel spill or other problem, the county is typically at the bottom of their inspection list, Ms. Gray said.

"You get buy-in from regulators," she said.

The efforts also help her risk management division obtain favorable terms when it renews its pollution liability insurance, currently purchased from American International Group Inc.

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Building a risk management culture



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BY MATT DUNNING

As senior vice president of risk management for one of the largest retail real estate owners in the world, Michael D. Horvath's role extends far beyond buying insurance for Simon Property Group Inc.

In addition to purchasing and managing the company's complex array of insurance programs — which typically run in excess of \$100 million in premiums a year and cover \$32.6 billion in assets including some 350 corporate and retail properties in North America and Asia — Mr. Horvath is primarily responsible for developing and overseeing Simon Property's risk management, safety and loss prevention policies and procedures.

Since joining the Indianapolis-based real estate giant in 1996, Mr. Horvath has been the driving force behind the company's deep integration of enterprise risk management into its corporate and field-level operations.

"The whole premise of this department is that we're a counselor, as opposed to an authoritarian," Mr. Horvath said.

During that time, Mr. Horvath and his department — made up of Simon Property staff and in-house risk management

specialists from the company's insurance brokers, Marsh Inc. and Boardman, Ohio-based Donald P. Pipino Co. Ltd. — have expanded their responsibilities to include strategic planning and contract review in concert with Simon Property's other segments.

"That people in the company now say, 'Talk to risk management and they'll give you the answer,' that's a level of professionalism that I've always wanted to achieve, and it's what I'm most proud of," Mr. Horvath said.

Those who work most closely with him say Mr. Horvath's emphasis on preventive, data-driven risk mitigation and loss prevention strategies has transformed Simon Property's attitude about the value of risk management.

Those strategies and Mr. Horvath's aptitude for developing captive insurance structures, contractual risk transfer provisions and other risk financing solutions have proven crucial to Simon Property's successful navigation of market-changing events that include the Sept. 11, 2001, terrorist attacks, the 2007-2009 Great Recession, and more than a decade's worth of hurricanes and other natural catastrophes.

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- Fortune Magazine ranked Simon Property as the 2013 most admired real estate company in America.

See **HORVATH** page 30

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Engineering safer structures

Heightened standards go beyond local building codes

BY MATT DUNNING

During 2004 and 2005, eight Category 3 or higher hurricanes affected more than 60 Simon Property Group Inc.-owned assets with a combined value of more than \$4 billion.

Despite the scope of its exposure to those storms, Simon Property reported less than \$10 million in total insured property damage and business interruption losses for the hurricane seasons that included Katrina, Wilma, Rita, Charley, Frances, Jeanne and Ivan — seven of the 10 costliest storms in U.S. history.

Michael D. Horvath, Simon Property's senior vice president of risk management, said the reason Simon Property fared so well through those storms and many since is the added precautions with which the company's shopping malls and other buildings were constructed.

"I remember saying to an engineer from (Global Risk Consultants Corp.) after the 2004 and 2005 hurricane seasons that we'd been fortunate in that the storms hadn't done a lot of damage to our properties, and he said, 'Mike, you were much more than fortunate. You were well-engineered,'" Mr. Horvath said.

Specifically, Mr. Horvath has insisted that all of the company's capital development projects be built to construction standards set by FM Global — standards well above and beyond most local building codes.

"It has a huge value for the company when the big storms come through in terms of minimizing direct losses," Mr. Horvath said.

That value was highlighted by the company's more recent experience with Superstorm Sandy. Sixty-eight of Simon Property's physical assets were located within Sandy's strike path. However, Mr. Horvath estimates the company incurred less than \$600,000 in gross property and time-element losses as a result of last year's storm. Given the \$500,000 deductible on its primary property program, Mr. Horvath said it is likely that the company will recover no more



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Michael D. Horvath, center, with brokers Mary T. Pipino of Donald P. Pipino Co. and Jeffrey S. Alpaugh of Marsh.

than \$200,000 in losses as a result of Sandy.

In addition to saving the company millions in potential property losses, Mr. Horvath's insistence on higher construction standards for Simon Property's capital projects also has paid dividends on the company's insurance renewals. During the 2012 renewal season, Mr. Horvath and his team met with underwriters from more than 30 insurers to illustrate a fundamental deficiency in the industry's use of Risk Management Solutions' Version 11 hurricane model to determine Simon Property's projected windstorm losses in a given year.

In short, the model did not give the company

any additional credit for designing and constructing its buildings according to the more windstorm-resistant standards, he said.

"We showed them a post-hurricane picture of a roof that had been designed to FM standards that was abutted by a roof that was designed to local code," Mr. Horvath said. "The local code roof was uplifted and partially rolled over, and the damage to the interior space was significant. The FM roof survived the storm intact, with barely a leak."

The demonstration was successful, translating to an estimated \$5.5 million in premium savings for Simon Property on its insurance coverage.

HORVATH

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It is for those reasons and more that Mr. Horvath has been named a member of the *Business Insurance* 2013 Risk Management Honor Roll®.

"I've met other risk managers in the real estate business, and I haven't met anyone who is more proactive or who understands the markets and the process better than Mike does," said James Barkley, general counsel for Simon Property and Mr. Horvath's direct supervisor.

For example, his early insistence that the company's shopping malls and other properties be designed and built to codes above local requirements not only saved millions in insurance premiums, it also is credited with the low insured property losses the company incurred after Hurricane Katrina and Superstorm Sandy.

"Everyone here has a great deal of confidence in Mike's abilities," Mr. Barkley said. "We lie awake at night and think about a lot of things, but the risk management program usually isn't one of them."

Mr. Horvath joined Simon Property via the company's acquisition of Edward J. DeBartolo Corp., where he spent nine years as director of corporate insurance.

A devoted Pittsburgh Steelers fan, Mr. Horvath likens his approach to risk management and the positive effect it's had on Simon Property's broader corporate interests with the Steelers' tradition of emphasizing football's critical, if unspectacular, fundamentals as the building blocks of sustained success.

"It comes down to just blocking and tackling," Mr. Horvath said. "It would be nice if there was this magic elixir that we used and it solved everything, but it was really setting up the blocks and tackling that were going to make us successful."

Steven Sachs, Baltimore-based real estate and hotel practice director at Willis North America Inc. and a longtime friend and colleague, chose a different sport.

Mr. Sachs, who nominated Mr. Horvath for the award, said Mr. Horvath's risk management philosophy is perhaps most analogous to his ardent passion for golf, particularly his appreciation for the game's history and evolution.

"There's a parallel there to how he does his job in risk management, in that it's all about preparation and discipline and a respect for the past," Mr. Sachs said.

"The way he approaches it is that it's not just about pure loss, it's about looking at dynamic loss. It's about collecting and integrating information that improves a decision."

Predictive analysis key to loss prevention efforts

BY MATT DUNNING

A core concept Michael D. Horvath has institutionalized as senior vice president of risk management at Simon Property Group Inc. is that preventing losses is far less expensive than minimizing their cost after they happen.

But effective risk mitigation for a company of Simon Property's scale requires regular predictive analysis of prior losses and claim histories at the corporate, regional and local levels, something Mr. Horvath said was sorely lacking prior to his arrival. "At the time I took the job, we weren't analyzing our losses very well as a company. We were very responsive, but not very proactive," Mr. Horvath said.

To understand the root causes of the company's property and casualty losses, Mr. Horvath and his team developed and implemented a series of proprietary, companywide incident reporting protocols.

They include regular property risk assess-

ments, loss prevention reports and incident summaries, all designed to catalogue each property in the company's portfolio by its exposure to adverse weather conditions, supply chain disruptions and time-element losses, level of emergency preparedness, open maintenance recommendations, and incident and loss history, among other metrics.

Similar assessments and reporting protocols were implemented to track the company's general liability risks and losses, primarily patron and worker safety hazards.

"I've had insurance carriers tell me that they've never seen an account with underwriting data that's as concise and clear and detailed as Simon's," said Paula Maxwell, a senior vice president at Boardman, Ohio-based Donald P. Pipino Co. Ltd. "We make it a point to know everything we can about every single property."

The reporting protocols have blossomed into a network of informational pipelines between Simon Property's risk management department

and its other divisions. The data collected quarterly, annually and on an ad hoc basis adds up to what Mr. Horvath refers to as the "Simon Story."

"We can sit in front of the insurance markets, and if they give us the chance and really embrace our 'Simon Story,' then they see that we're the type of risk that they're going to want to write," he said.

The company's third-party risk and safety engineers, Global Risk Consultants Corp. and Carrington Risk Consulting Inc., use those various reporting mechanisms to inform risk mitigation recommendations. By acting on those recommendations, Simon Property has reduced its loss expectancies by an estimated \$47.4 million dollars in the past 18 months.

"Mike has used a ton of that information to drive down costs within the company," said Jim Gallagher, managing director of national accounts at Hartford, Conn.-based Travelers Cos. Inc., Simon Property's primary casualty insurer and one of 11 of its primary property insurers.

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Risk management style keeps everyone working together

Corporate, division goals united

BY MATT DUNNING

Much of Michael D. Horvath's success as Simon Property Group Inc.'s senior vice president of risk management is owed to his ability to integrate the interests of the company's operating units, executive-level management and external business partners.

Prior to his joining Simon Property, the company's risk management department was viewed primarily as an expense center, tasked almost exclusively with buying insurance and largely walled off from other divisions.

"There wasn't a lot of interplay between the risk management department and the rest of the corporation," Mr. Horvath said. "The complaint that I used to hear quite often in my early days with the firm was that in the past, calls to the risk management department had gone unanswered."

Today, the department plays a crucial role in the execution of Simon Property's corporate and field-level goals, and Mr. Horvath said it is viewed as a "contributing corporate asset."

Under his direction, the risk

management staff reviews and approves the risk transfer and indemnification provisions in all Simon Property contract forms, including service and purchase agreements, lease forms and corporate loans.

Additionally, Mr. Horvath and his staff conduct regular status meetings with leaders of Simon Property's corporate divisions — including purchasing, capital markets, building design and construction, legal, finance and executive management — as well as its regional and local property managers.

Simon Property's risk management department reviewed and approved more than 30,000 certificates of insurance in 2012.

"Over 17 years now, we truly have become a consigliere to the company's various departments," Mr. Horvath said.

James M. Barkley, Simon Property's general counsel, said the risk management department's integration into daily operational functions was due largely to Mr. Horvath's personal commitment to a thorough knowledge of the company's inner workings and its individual division leaders' needs and concerns.



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James M. Barkley, left, Simon Properties' general counsel, and Michael D. Horvath.

"When Mike appears before our internal management teams, it's clear that he understands Simon's business top to bottom," Mr. Barkley said.

Mr. Horvath said a second key to his success has been the structure of his risk management department. Only three of the department's 14 members are employed directly by Simon Property. The rest are in-house risk management specialists employed by Simon's insurance brokers — primarily its casualty broker, Boardman, Ohio-based Donald P. Pipino Co. Ltd.

The staff also includes an in-house data management and analytics specialist from the company's property insurance broker Marsh Inc.

"Mike has created one of the most

unique and effective uses of third-party staff support that I have come across in my nearly 40 years of risk management work," said Steven Sachs, Baltimore-based real estate and hotel practice director at Willis North America Inc.

Stephanie Bridwell, Marsh's in-house client manager and data management specialist working under Mr. Horvath's direction, said although her paychecks do not say Simon Property, she and her counterparts at Pipino pride themselves on working in concert to further Simon Property's risk management interests.

"Even though we're coming into risk management from different perspectives, when we're here, we're one team," Ms. Bridwell said.

"Other situations in other com-

panies, where you have a dual or multibroker situation, they might not talk to each other," said Paula Maxwell, a senior vice president at Pipino. "In Simon's case, Mike has developed this unit so that it's a cohesive effort. Our broader goal is Simon's success in the risk management arena, which we accomplish by working very closely together."

Mr. Horvath, who prefers to identify Pipino and Marsh as risk management service providers rather than brokers, said integrating the risk advisory solutions, loss prevention, data management and other services available through Simon Property's third-party partners was a natural choice, particularly in the case of Pipino, which has a background in managing retail property risks.

"By comparison, they're much smaller than the major brokerage houses, but they're industry experts when it comes to shopping centers," Mr. Horvath said.

Having representatives of the company's brokers on-site has yielded positive results for Simon Property in its insurance renewals, Mr. Horvath said. At the end of 2012, he and his staff secured premium reductions for the company's primary property and casualty coverage while expanding its scope.

"Brokering the policies in harmony with the risk management solutions that they bring is a dynamic that's very difficult to replicate," Mr. Horvath said of his department's structure. "I see fragments of the same approach in what some of my contemporaries have done, but for whatever reason, a lot of companies out there are only using their brokers as insurance buyers."

Simon takes control of claims process with in-house, third-party team

BY MATT DUNNING



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Simon Property Group Inc.'s risk management team includes (back from left) Stephanie Bridwell, Anthony E. Petralia, Paula Maxwell, Steven Mikalowsky, Cheryl Watson, Gene Thomas and Melissa Bailey Comstock, (seated) Marcia Irvin and Michael D. Horvath.

Shortly after joining Simon Property Group Inc. in 1996, Michael D. Horvath submitted an odd request to underwriting executives at The Travelers Cos. Inc.

Mr. Horvath, senior vice president of risk management, wanted Travelers to allow Simon Property to manage its own property and casualty claims.

Travelers reluctantly agreed to let Mr. Horvath's team of in-house and third-party claims adjusters contracted through casualty broker Boardman, Ohio-based Donald P. Pipino Co. Ltd. to handle the company's claims for two years, with an understanding that Travelers could reassume claim management responsibilities if Mr. Horvath's staff and service providers failed to hold claim rates and loss totals to reasonable

thresholds.

"If you go to a traditional insurance market and buy first-dollar coverage, and you turn your losses over to the insurer to handle, their activation rate is typically somewhere between 40% and 60%," Mr. Horvath said.

In comparison, only about 15% of the more than 19,000 potential casualty loss events Mr. Horvath's in-house and third-party adjusters processed in 2012 ever materialized as insurance claims.

According to its most recent estimates, Simon Property's risk management staff and its service providers successfully transferred more than \$5 million of reported liability losses last year to responsible third parties through contractual risk transfer provisions.

"The corporate philosophy at

Continued on next page

SAFETY QUALIFICATION LED TO EXPLORATION OF RISK MANAGEMENT

Safety management is not a phrase one readily associates with exploring new frontiers.

But that is precisely how Michael D. Horvath describes his first steps on the path that led him to his position as senior vice president of risk management at Simon Property Group Inc.

"Safety was just coming into vogue as a profession," said Mr. Horvath, who earned a bachelor's degree in

safety management from Indiana University of Pennsylvania in 1977. "It was a new frontier, and it sounded interesting and challenging."

After 10 years in safety management, Mr. Horvath was offered the position of director of corporate insurance at Youngstown, Ohio-based Edward J. DeBartolo Corp., where he remained until Simon Property acquired it in 1996.

Away from work, Mr. Horvath, 57,

is an avid golfer and more than a casual student of the game's history. Hardly one to wax poetic, he cannot help but strike a romantic note recalling a recent visit to Augusta National Golf Club. "I call it spiritual," he said. "You go around 'Amen Corner,' and you can hear the voices of decades ringing out."

Mr. Horvath and his wife, Mary, will celebrate their 35th wedding anniversary in June, and raised two

daughters, Tamara and Kristyn. They met in high school on a blind date arranged by a mutual friend.

"Dec. 2, 1972," Mr. Horvath recalls with no hesitation. "They introduced us, and we never split up."

Mr. Horvath credits his family for his success. "I have an extremely supportive and tight-knit family, and could not be who I am today without their love and support."

By Matt Dunning



Mr. Horvath

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Continued from previous page

Simon is certainly to pay what we owe and to be a good corporate citizen, but also to vigorously defend against what we think we don't owe," Mr. Horvath said.

James Barkley, Simon Property's general counsel, said incorporating claims management into the risk management program was yet another manifestation of Mr. Horvath's risk management philosophy.

"If there's one way I would describe how we've changed, it would be that we're more proactive," Mr. Barkley said. "We're no longer passive consumers of the insurance products, we're active participants in risk management."

Mr. Horvath attributed his department's success in suppressing the company's claim activation rate and year-end losses to the singular focus of the adjusters in his

"The real beauty of our program is that these folks have dedicated their professional lives to shopping center claims, so they understand risk transfer in a shopping center environment."

Michael D. Horvath,
Simon Property Group Inc.

program, and their attention to detail about the nature of the commercial real estate industry and the indemnity and risk transfer language in Simon Property's contract forms.

Eight months after it had agreed to let Simon Properties manage its claims in-house, Mr. Horvath said Travelers returned in 1997 with an odd request of its own.

"I'm sure they were kidding, but about eight months into that agreement, Travelers came back and asked me if we wanted to handle all of Travelers' losses. That's how good they said our numbers were," Mr. Horvath said. "From that day forward and for the 16 years since, it's been a non-issue."

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Strategic approach streamlines program



MICHAEL MARCOTTE

BY MIKE TSIKOUDAKIS

As staff director of risk management for one of the world's largest global delivery companies, Chad C. Jackson drives a risk management vision that protects the people, assets and brand of FedEx Corp. and its operating companies.

Responsible for the planning, organization, design, control and coordination of the global property/casualty risk management program of Memphis, Tenn.-based FedEx, Mr. Jackson's oversight spans eight operating units, each with its own risk management department, and a total of 86 staff members.

A high school Spanish teacher prior to entering insurance risk management, Mr. Jackson joined FedEx in 2008 from Marsh Inc., where he was a client executive assigned to the FedEx account.

Currently, Mr. Jackson spends most of his time on insurance, specializing in policy language, design and structure.

In his five years at FedEx, Mr. Jackson has optimized the company's insurance coverage. The efforts helped reduce the total cost of risk by \$30 million in the past three years as a

result of program design changes and higher retentions.

Making risk management and insurance decisions based on data and analytics, Mr. Jackson focuses on retention levels to streamline coverage of FedEx's operating companies and has renewed its focus on loss control initiatives.

John D. Hartney, staff vice president and assistant treasurer at FedEx, was looking to restructure insurance purchasing and risk management into a more disciplined framework across the organization when he hired Mr. Jackson.

"We were on this process of renewal, renewal, renewal, and there wasn't as much strategic thinking or analysis," said Mr. Hartney, who handles corporate finance, risk management and insurance, and retirement investments for FedEx.

"What he brought was the background of knowledge of the brokerage side and the design and placement of our policies," Mr. Hartney said. "He had good knowledge of what FedEx wanted to do within the products that he was familiar with."

With that experience, Mr. Jackson has identified opportunities to leverage the strength of FedEx's balance sheet to take on higher retentions in various insurance programs that

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Headquarters: Memphis, Tenn.

2012 financials: \$2.0 billion in net income on revenue of \$42.7 billion

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See **JACKSON** page 36



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Retooled insurance program leads to lower premiums

BY MIKE TSIKOUDAKIS

With more than 200 insurance policies placed globally, Chad C. Jackson has devised and optimized a framework around FedEx Corp.'s insurance programs that has reduced costs.

But before Mr. Jackson assumed leadership of the corporate risk management team, FedEx's insurance programs were decentralized due to the varying risk and insurance needs of the company's eight operating companies, and there was little focus on coordinating efforts to improve coverage.

Currently, Mr. Jackson, Memphis, Tenn.-based staff director of risk management for FedEx, works with his team to get the right insurance program that meets the operating companies' needs and, when appropriate, consolidate insurers.

As a result of program design changes and increased retentions, Mr. Jackson helped FedEx reduce its total cost of risk by about \$30 million in the past three years.

FedEx's risk management and insurance programs are complex, with a broad range of exposures. Risk finance and cross-operating company strategies are ultimately made at the corporate level, while claims management and day-to-day risk management interactions are handled at the operating company level.

Mr. Jackson has streamlined and consolidated FedEx's insurance into five major categories for renewals to simplify discussions: aviation, property, casualty, financial and specialty.

"Beyond those five categories of insurance, we said, 'Where can we consolidate insurers?'" he said.

For example, FedEx at one point had four different auto insurers,

Mr. Jackson said, noting that its ground fleet includes more 90,000 motorized vehicles.

The company faced a similar situation with workers compensation coverage.

To optimize coverage, Mr. Jackson's team negotiated with insurers, but the team also included individual operating companies in the discussions to make sure their needs were being met, Mr. Jackson said.

"We can use the buying power of FedEx Corp. with (the insurer consolidations) rather than having it disaggregated," he said of efforts that resulted in much of the savings for FedEx.

To address escalating self-insured and insured losses within one unspecified operating unit of the company and to prevent the

losses from getting worse, Mr. Jackson and his team made changes.

"We really needed to have skin in the game. Also, I just felt we were burning insurer bridges by making them pay out more in losses than they were paying in premiums for several years in a row," Mr. Jackson said.

FedEx tripled one of its auto retentions to keep management focused on self-insured losses, but also recognized that the company needs its insurers to protect the balance sheet for the long term, he said.

"We've essentially done that," Mr. Jackson said. "Ninety-eight percent of our risk is with one auto insurer. Ninety-eight percent of our risk is with one work comp insurer."

That consolidation resulted in \$7 million in premium savings in 2010 for FedEx, Mr. Jackson said.

Such insurance program reforms don't happen overnight, Mr. Jackson said.

"We'll take several changes over two or three years to get there," he said.

To achieve savings across the company's insurance programs, trust with underwriters is critical, Mr. Jackson said. FedEx works with its brokers throughout the year to facilitate strategic conversations with underwriters, which go beyond the typical renewal dialogue.

"Chad takes a very strategic and a long-term approach with the way he deals with markets and the way he wants FedEx to be seen in the market," said Wynne Sharpe, vice

president and account executive at Aon Risk Solutions in Houston. The Aon P.L.C. unit handles FedEx's foreign and global casualty property, aviation, and global cargo and logistics liabilities, among others.

"He wants the market to really understand FedEx's underlying operations," Mr. Sharpe said.

"He certainly doesn't view the insurance market as a commodity play. I think he sees the long-term value in these partnerships, whether it's the aviation side, cargo side or the property side," he said.

"He's always taken the time to educate us about the corporate culture of FedEx so that we can best respond to the company's insurance and risk management needs," said David Homcy, Atlanta-based senior vice president and branch manager at Ace USA. Ace handles FedEx's risk management workers comp program.

Streamlining insurance programs across multiple operating companies is a big undertaking, Mr. Homcy said.

Mr. Jackson's "approach to risk is really to educate us on the insurance and risk management needs so that we can conceptualize how to approach the insurance solutions," Mr. Homcy said.

FedEx's basic philosophy is that insurance is purchased to protect against balance sheet volatility, Mr. Jackson said.

"If we ... bought the cheapest insurance premiums possible at the bottom of the insurance market, that volatility is going to hit us either after a major loss or in a hard market," he said.

"We play the soft market for the hard market. That's really important to us," Mr. Jackson said.



MICHAEL MARCOTTE

FedEx Corp.'s Chad C. Jackson (center) with (from left) Michael C. Lenz, corporate vice president and treasurer, and John D. Hartney, staff vice president and assistant treasurer.

JACKSON

Continued from page 34

ultimately reduced the cost of coverage, Mr. Hartney said.

"But he's also been able to communicate through the organization why we need to do that and why that's effective," Mr. Hartney said. "Each operating unit may have unique needs, but as an enterprise, we have the ability to absorb more risks than maybe a smaller operating unit might normally want to."

This successful management of FedEx's risk portfolio earned Mr. Jackson a place on *Business Insurance's* Risk Management Honor Roll® for 2013.

While FedEx's insurance programs may have been loosely structured prior to Mr. Jackson's arrival at the company, risk management and safety now is baked into all lev-

els of the organization.

"Continuous improvement and crisis management are the lifeblood of the organization," Mr. Hartney said. "That sense of embracing uncertainty exists in the organization, and that's turned into a process of quality-driven management where you're trying to use information to be more effective and to make good decisions that'll help drive improvement."

The C-suite within FedEx is heavily involved and concerned with risk management, and FedEx Chairman and CEO Frederick W. Smith has given the charge of safety above all, Mr. Jackson said.

"That makes selling the risk to insurers very easy," Mr. Jackson said.

Risk management and safety is coordinated within FedEx, with property engineering departments, aviation safety groups and safety teams at each operating company, Mr. Jackson said.

During a risk event, affected units gather on a conference call and begin with the mantra, "We protect our people, we protect our assets and we protect our brand," Mr. Jackson said.

"To me, that's the heart, soul and blood within the company," he said.

The pervasiveness of risk management and safety within FedEx is essential to its insurance programs, Mr. Jackson said, noting that FedEx works with data and analytics, as well as its brokers and underwriters, to better understand exposures.

"We recognize at this point that when we get engineering recommendations, they're not just because we're protecting the insurer's balance sheet," Mr. Jackson said. "We take significant retentions on properties as well. They protect our people, they protect our assets and they protect our brand."

What drives Mr. Jackson daily is a vision he put in place five years ago that defines

and addresses FedEx's corporate risk management function.

That vision focuses on strategic, long-term risk financing; analytics to support decisions; proactive identification of problems before they occur; solution-oriented knowledge to add value beyond insurance; and broad considerations to understand the operational, strategic, legal, financial and brand impacts of risk.

"Every meeting we go to ... that vision is right in front of us," said Lori R. Badenhop, risk management adviser at FedEx. Ms. Badenhop is one of three members in FedEx's corporate risk management department, working with the insurance placements, data collection from the various operating companies and renewal strategies.

"He lives and breathes that. It's not just a statement made. It's very well-thought out and methodical as to what that vision is," she said.

FedEx takes risk on board with higher retention

Aviation coverage reflects partnership with underwriters

BY MIKE TSIKOUDAKIS

Chad C. Jackson, staff director of risk management for FedEx Corp., dramatically restructured the company's aviation insurance program to address rising premiums by taking on a substantial self-insured retention.

By taking a \$10 million self-insured retention on its aviation program in 2012, FedEx was able to save \$9 million in annual premiums across the board.

With more than 665 airplanes serving 375 airports worldwide, the size of the Memphis, Tenn.-based company's fleet resembles that of a commercial passenger airliner.

As aviation insurers in 2009 stood ready to increase rates industrywide, and FedEx's growing fleet became more modernized and valuable, Mr. Jackson decided to meet with aviation underwriters and listen to what really mattered to them.

"We were telling them answers to the questions they had — fatigue risk management, threat and air management, human factors, training and safety technologies," Mr. Jackson said.

He brought in FedEx safety specialists to directly answer underwriters' questions.

Underwriter perception

He gathered a global perspective to understand underlying exposures and losses as well as how the panel of aviation underwriters perceived FedEx's risks, said Wynne Sharpe, vice president and account executive at Aon Risk Solutions in Houston. The Aon P.L.C. unit handles FedEx's global property and casualty, aviation, and global cargo and logistics liabilities, among others.

"One of the things Chad did was to really understand how the market looked at their risk and how the market differentiated their risk," Mr. Sharpe said. "It was really important that FedEx be seen in the market as a company to partner with and as wanting to take the appropriate amount of risk out of the market when they insure their program."

Together with Aon, FedEx gathered loss information and, based on analytics, restructured its program to help mitigate increasing insurance premiums because



MICHAEL MARCOTTE

As aviation insurers in 2009 stood ready to increase rates industrywide, FedEx Corp.'s Jackson decided to meet with aviation underwriters and listen to what really mattered to them.

FedEx's fleet was growing over time, Mr. Sharpe said.

"Chad has done a fantastic job of

presenting a well-structured and integrated risk management and insurance program that under-

writers really want to buy into," said Jeff Bruno, Parsippany, N.J.-based chief underwriting officer at Global Aerospace Underwriting Managers Ltd. London-based Global Aerospace leads FedEx's aviation program.

FedEx's loss-control initiatives, including fatigue risk management, human factor training, new or updated state-of-the-art equipment, "all in my view have really moved the culture of the firm," Mr. Bruno said. "So much so, that FedEx has been willing to make a substantial bet on themselves by taking an extremely large (self-insured retention) this year and it's paying really big dividends for them right now," Mr. Bruno said.

Substantial retention

While declining to disclose aviation program limits and deductibles, "I will say they're very high," Mr. Jackson said.

The standard market deductibles for aviation insurance are \$1 million for a wide-body aircraft. "A million dollars per occurrence is your standard retention for a wide-body aircraft — we take that plus a significant retention in excess of it," Mr. Jackson said.

"Last year, we took a significant aggregate retention above that to be able to show ... that we were committed to handling the risks appropriately and not just transferring that out to somebody else," he said.

"Insurers now know our story. We're telling them we protect our risks and we show them that we'll take a little extra skin in the game," Mr. Jackson said.

DATA COLLECTION AIDS ANALYTIC APPROACH TO PROGRAM CALCULATIONS

BY MIKE TSIKOUDAKIS

Much of FedEx Corp.'s reductions in its total cost of risk have been driven by the use of data and analytics to make informed risk management and insurance decisions.

"It's so important and crucial to the job that we find ways to tell the story with numbers," said Chad C. Jackson, staff director of risk management for Memphis, Tenn.-based FedEx.

While Mr. Jackson's team handles risk and insurance across the enterprise, each of the eight operating companies houses its own data, using different risk management information systems to capture and interpret that information.

On a quarterly basis, Mr. Jackson's department collects aggregate claims data from the operating companies. Various third-party administrators house the data that feeds the risk management information system at a particular operating company. That operating company then pulls

specific claims data that is requested by Mr. Jackson's team, which then aggregates the information into an Excel format.

Getting the loss data from various operating companies "to speak the same language" to allow it to be aggregated is challenging, but it also is key, Mr. Jackson said.

Before he joined FedEx, the company

"It's so important and crucial to the job that we find ways to tell the story with numbers."

Chad C. Jackson, FedEx Inc.

focused on insurance premiums and rarely looked into loss statements.

"Now we're all focused on what I call the hazard cost of risk," Mr. Jackson said, noting that FedEx has loss-sensitive insurance programs because it retains much of its risks.

Mary Sumner, senior vice president and client executive at Marsh Inc. in Memphis, handles FedEx's casualty, financial and environmental coverages and works with Mr. Jackson to gather data and analytics for various insurance programs.

"We've been working real closely with him in trying to use a lot of analytics to arrive at the ideal program for his optimum premiums," Ms. Sumner said. "It's been a process. It's still evolving."

For its actuarial work, FedEx uses New York-based Marsh & McLennan Cos. Inc.'s Oliver Wyman unit, which processes various data to determine appropriate retentions and premium spending, she said.

"It has been very valuable. It helps us not only in knowing where the retention might need to be, but also where (the) premiums need to be. So it's a good negotiation tool with our carriers," Ms. Sumner said.

Data and analytics played a large role in determining FedEx's substantial \$10 million retention in its aviation program that resulted in \$9 million of premium savings

last year, Mr. Jackson said.

Without data, "I was not getting the complete picture," he said.

"We very closely analyzed the losses and considered what taking that kind of retention would look like and how that would affect their balance sheet and making sure taking that type of retention was something they were comfortable with," said Wynne Sharpe, vice president and account executive at Aon Risk Solutions in Houston.

"We crunched a lot of numbers around that and considered their long loss history before we put that in place," Mr. Sharpe said.

Determining retention levels is a difficult process for any coverage line in any organization, Mr. Jackson said.

"But if you have the numbers, the full picture, you can use that as a component plus fully understanding the right qualitative components," Mr. Jackson said. "Each of those major insurance decisions are decisions we wouldn't have been able to make without data."

Regular communication fosters collaboration among units, providers

Discussions tackle risks to control, risks to transfer

BY MIKE TSIKOUDAKIS

Among Chad C. Jackson's top challenges after joining Memphis, Tenn.-based FedEx Corp. in 2008 as staff director of risk management was the lack of communication among risk management departments.

Early on, Mr. Jackson saw the need to transform FedEx's risk management function.

"It was the culture of making myopic decisions and not communicating appropriately within the risk community at FedEx," he said.

Establishing trust and communications among the eight operating companies within FedEx and their risk management teams was critical, Mr. Jackson said.

"It took a lot of communication and effort on my part," he said, including personal conversations with each operating company, brokers and his management chain to understand how individuals viewed risk and the corporate risk management department.

During his first few weeks on the job, Mr. Jackson recognized that the corporate risk management function was reactionary rather than solution-oriented. To address

this, he devised biannual "risk intelligence" meetings.

While FedEx historically held risk management meetings, Mr. Jackson realized that such meetings needed to be conducted face to face and with a broader agenda.

In 2010, he and his team kicked off the risk intelligence meetings. Under his leadership, the meetings focus on knowledge sharing, loss-control initiatives, risk transfer and other risk management issues.

"That's really created this great environment where we all talk and listen," he said. "We're trying to advance the way we look at risk as a risk community here. We want to be intelligent about it."

These regular discussions have led to more cooperation among the operating companies and a united vision of protecting the corporate balance sheet, Mr. Jackson said.

The risk intelligence meetings include insurance brokers, said Mary Sumner, senior vice president and client executive at Marsh Inc. in Memphis.

The Marsh team, which handles FedEx's casualty, financial and environmental coverage and works with Mr. Jackson on gathering data and analytics for various



MICHAEL MARCOTTE

FedEx Corp.'s Chad C. Jackson (right) with (from left) Lynn F. Isaacs, manager of risk management, and Lori R. Badenhop, corporate risk manager adviser.

insurance programs, presented at FedEx's February risk intelligence meeting in Memphis.

"It creates a much more collaborative spirit among the (operating companies) and a lot of sharing of ideas and what's going on with their own programs," Ms. Sumner said.

Mr. Jackson's efforts to foster communication and collaboration among FedEx's risk management departments also have translated into the sharing of safety and loss control knowledge, she said.

"They're really trying, from the risk management perspective, to take a more unified approach, and those meetings have helped a lot in keeping the communication open," Ms. Sumner said.

LOSS PREVENTION EFFORTS EXPORTED TO GLOBAL OPERATIONS

BY MIKE TSIKOUDAKIS

As FedEx Corp. takes significant precautions on its worldwide properties, Chad C. Jackson, staff director of risk management, works with its primary property insurer to standardize its approach to risks and reduce costs.

From a corporate risk management perspective, FedEx uses FM Global, one of its primary property insurers for over three decades, for risk engineering services that provide a global view and standardization of risk controls.

With more than 100 engineering visits to FedEx facilities a year, FM Global works with FedEx to quantify loss expectancy reductions.

Since 2011, FedEx has worked with FM Global and has allocated \$5.45 million in capital expenses to address 325 property loss control recommendations, reducing loss expectancies by some \$6 billion.

"Chad is very savvy when it comes to business resilience. He embraces this preventable vs. inevitable philosophy of our organization," said William M. Lonchar, vice president and operations manager in Atlanta for FM Global. "It really allows you to then, from an innovation point of view, drive down into detail to understand the risk to that business."

Such commitment to loss prevention resulted in a highly protected risk property in China. FedEx in 2009 completed construction on its Guangzhou hub, the largest FedEx hub outside the United States and its gateway to the Asia/Pacific region.

FM Global educated Chinese authorities on what a highly protected risk is and why FedEx wanted the facility built to certain engineering standards.

The equipment within the facility is manufactured in China to the FedEx standards that apply to any facility in the world.

"If you look at (the Guangzhou hub), they really bring this whole preventable mindset to build it right, to set it right, to protect that brand," Mr. Lonchar said. "From the standpoint of highly protected, with the level of consistency that they brought into that facility, it is unique."



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Coffee shop dream opened the door to risk management

As a high school Spanish teacher in Garland, Texas, Chad C. Jackson decided to pursue an MBA to open a coffee shop — a decision that ultimately landed him in risk management.

Five years after graduating from Indiana University's Kelley School of Business in Bloomington with an MBA in strategic management and marketing, Mr. Jackson joined Memphis, Tenn.-based FedEx Corp. as staff director of risk management in 2008.

Born in Houston, Mr. Jackson grew up in Falls Church, Va., where he developed a passion for the Hispanic culture at an early age after experiencing the Salvadoran culture and cuisine through a childhood friend.

Mr. Jackson attended Baylor University in Waco, Texas, initially thinking about becoming a minister. He later decided to major in Spanish and journalism and, in

1998, began teaching Spanish at Garland High School.

But wanting more flexibility to spend time with his wife, Lindley, and to travel, Mr. Jackson chose a pragmatic path based on a simple passion: coffee.

"I do love teaching, but if I want a little more flexibility with my job, I should probably just go open a coffee shop," Mr. Jackson said he thought at the time.

Indiana University had a highly rated MBA faculty and curriculum, and "I felt it was a place where I can actually learn business and then be able to open my coffee shop," Mr. Jackson said.

After graduating in 2003, he didn't open a coffee shop, but that idea was the catalyst to get him into the business world. After floating his resume to various companies, he joined Marsh Inc. in Memphis as a risk analyst.

"I got a call from a company I



MICHAEL MARCOTTE

Mr. Jackson

barely heard of: Marsh. I thought they were a grocery store," he said. "I didn't know that insurance brokerage as an industry existed until I got that interview."

But within a year, Mr. Jackson was asked to work on the office's largest account: FedEx.

In 2008, a risk management position at FedEx opened up.

"For my skill set, that's a great place for me to be. I was 32 years old, though, so I thought, that's a great place for me to be in five to 10 years," Mr. Jackson said.

But that wait was much shorter, as Mr. Jackson joined FedEx that year and, in a short time, made great strides advancing the company's risk management program.

"It really is a great job for me. I can make a difference. I would wish the job on anybody," Mr. Jackson said.

Mr. Jackson, 37, lives in Memphis, next door to Elvis Presley's first home, with his wife and four sons: Luke, 7; Charlie, 4; Miles, 2; and Way, who is less than 1 year old.

And just for the record, Mr. Jackson's favorite coffee is from Allegro Coffee Co.

"It really is a great job for me. I can make a difference. I would wish the job on anybody."

Chad C. Jackson,
FedEx Inc.

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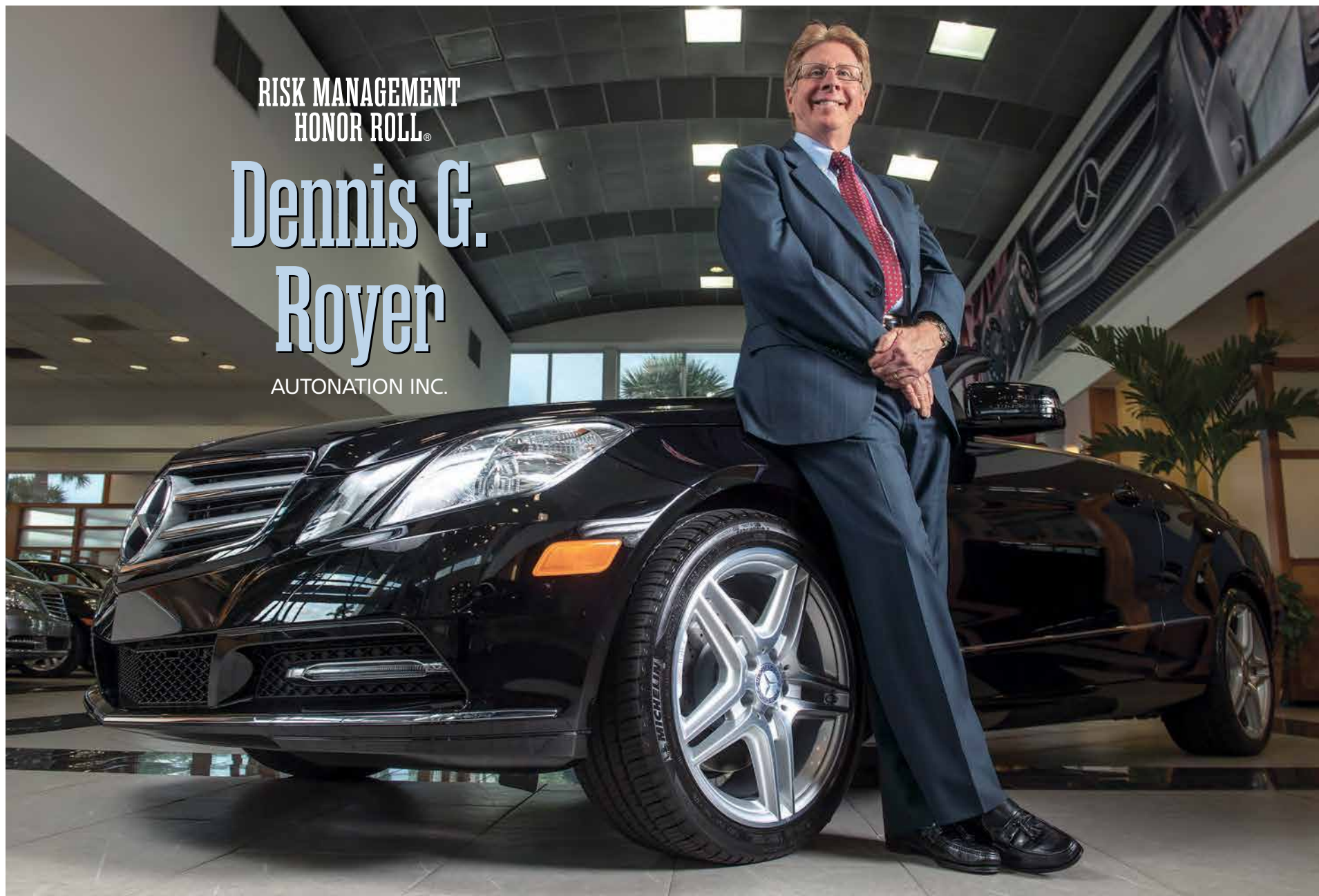
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JOSH RITCHIE

BY RODD ZOLKOS

What seemed like a risk management challenge when Dennis G. Royer joined AutoNation Inc. as senior director of risk management ultimately proved an opportunity to take a different approach to risk management that produced a highly successful program.

His background and — more importantly, perhaps — his personality made Mr. Royer the perfect person to take advantage of that opportunity and ultimately take his place on *Business Insurance's* 2013 Risk Management Honor Roll®.

Coming to Fort Lauderdale, Fla.-based AutoNation, the country's largest auto retailer, in November 2007 from Dublin, Ohio-based Wendy's International Inc., where he was director of risk management, Mr. Royer found that while much of his retail risk management experience transferred to his new post, automotive retailing had some risk management issues all its own.

"Coming into the risk management area for an auto retailer had a lot of the same risk challenges that you would have with any retail organization," Mr. Royer said. "But on top of that, you have all the regulatory stuff. Car dealerships are so regulated from a local, state and regulatory standpoint that it really adds a little bit of complexity."

Even bigger challenges, perhaps, came in entering a different sort of risk management operation than the one he'd led at Wendy's.

"Where I came from, I had a department of 20 individuals at Wendy's International," Mr. Royer said. "I got here, and I have two individuals that are reporting to me and no (risk management information) system. So it has taught me to influence through others. This has been a wonderful opportunity to learn how to work through other areas of the business that are already in place."

Mr. Royer's skill at collaboration and partnering has been essential to successfully working through those existing areas at AutoNation.

For example, at the end of 2012, AutoNation had 265 new vehicle franchises located in 221 dealerships in 15 states. But without a field staff, Mr. Royer has had to enlist other partners in his efforts to reduce losses.

"The facility technicians are out there, so I influence through the facility technicians and have them looking for different exposure areas that would reduce liability claims," he said.

Quarterly inspections from environmental and safety consultant KPA L.L.C. offer another opportunity to manage risks in the field. "They make sure that our dealerships are in compliance from a local, state and federal level," Mr. Royer said. "They will also assist me in helping to make sure that some of the things we're trying to do, some of our initiatives, are happening as well."

"Our general managers are encouraged to be part of the

AUTONATION INC.

Business: Largest automotive retailer in the United States.

Founded: AutoNation's roots go back to 1996, when H. Wayne Huizenga invested in a company that would become Republic Industries Inc. The AutoNation brand was launched in 1999, when Republic Industries Inc. became AutoNation Inc.

Headquarters: Fort Lauderdale, Fla.

2012 Financials: Net income of \$316.4 million on total revenue of \$15.67 billion.

Employees: Approximately 20,000.

Did you know: AutoNation has sold more than 8 million vehicles, the first auto retailer to reach that milestone.

Continued on next page

Continued from previous page

safety meeting that ends each of these inspection visits from KPA," he said. "So the general manager then knows where the exposures are at each of the dealerships and knows who to contact."

Mr. Royer also connects with the dealerships' general managers through AutoNation's General Manager University program, which offers five weeks of training for new or prospective general managers that includes one week focused on finance during which Mr. Royer gets time to discuss risk management and the benefit of reducing losses.

"I start off the conversation by saying, 'I can show you how you can beat budget every single year: Don't have any losses,'" he said. From there, Mr. Royer explains how the general managers can reduce losses by encouraging safe behavior throughout the dealership. "I'm convincing them throughout that whole process that it's just as easy to run as a safe dealership as it is an unsafe dealership," he said.

"When I first got here, I saw not having a department as a challenge, but it's been an opportunity

to partner with other departments," Mr. Royer said. "I think we've been able to add and move faster with some of the initiatives that I wanted to do by being able to partner with another department vs. trying to do it all in our own department."

"One of the areas that I place a great deal of emphasis on is a business partnership," said Michael J. Short, executive vice president and chief financial officer at AutoNation. "Dennis has been a tremendous business partner in the organization."

"At AutoNation, we manage these stores in a very constructive environment in which it's not just a corporate top-down approach but it's really getting the buy-in from the general managers," Mr. Short said. "Sometimes that takes some conversations."

"Dennis does a really good job being an ambassador for the organization and building that trust," the AutoNation CFO said. "Dennis has so much credibility with them that they view him as a constructive business partner."

"He's a huge collaborator. He believes everything's a partnership," said James C. McCue, managing director at Marsh USA Inc. in

Sunrise, Fla. "He doesn't see anybody as an adversary, whether it's an insurance market that maybe isn't looking at things his way (or) whether it's a claims situation. He's always looking for a way to make everybody win, and at the end you see the results."

Among those results are reducing AutoNation's cost of risk by more than 28% since he arrived and reducing the company's cost of risk as a percentage of revenue by more than 20%. Mr. Royer also has

taken a rudimentary enterprise risk management effort at the company and turned it into a robust ERM program (see story, page 42).

With two-thirds of the company's dealerships located in the catastrophe-exposed states of California, Florida and Texas, the disaster preparation and recovery plans Mr. Royer has put in place have prevented AutoNation from experiencing a business interruption claim, enabling him to convince the company's property insurers to

drop business interruption from their rating base in underwriting AutoNation's program, producing significant premium savings.

And while the March 2011 Japanese earthquake and tsunami disrupted automobile industry supply chains worldwide and raised concerns among AutoNation's insurers about possible contingent business interruption claims, Mr. Royer "was able to very thoughtfully walk (underwriters) through how it impacted the business, the different revenue streams that were impacted, the ones that weren't, the margins in the business," said Mr. McCue. "That translates into better coverage and better premiums for AutoNation."

Since joining AutoNation, the programs Mr. Royer has implemented and the relationships he has built have reduced the frequency of liability losses at the company by 33% and the frequency of property losses by 40%.

"He's very good at providing direction, and then he gets people aligned with him and then he gets commitment," said Kent Infante, director of facilities at AutoNation. "When there's a need to reach out to somebody, there's already a bond in place."



JOSH RITCHIE

AutoNation Inc. chief financial officer James McCue (left) says Dennis G. Royer is a constructive business partner with the company's dealerships.

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ERM PROGRAM EMBRACES FAR-FLUNG UNITS

Support from the top eased information sharing

BY RODD ZOLKOS

Among Dennis G. Royer's accomplishments since joining AutoNation Inc. as senior director of risk management in 2007 is implementing an enterprise risk management program that truly spans an organization that by its nature is somewhat decentralized.

"They had a basic ERM process here when I got here," Mr. Royer said. But he took the program to another level by creating a risk committee and taking other steps that have made the program more robust.

James C. McCue, managing director at Marsh USA Inc. in Sunrise, Fla., noted the challenge of implementing ERM at a company like AutoNation, a still-young business that has grown quickly, largely through roll-up acquisitions. As a result, it's an organization with many different cultures and opinions, one that remains somewhat decentralized and has a highly entrepreneurial culture at the dealership level.

"I don't know if people were nervous about sharing some of that information previously or had a sense of ownership of the risk management and didn't want to let go," said Michael J. Short, executive vice president and chief financial officer of Fort Lauderdale, Fla.-based AutoNation.

As is typical in successful ERM programs, there's support from the top for enterprise risk manage-



JOSH RITCHIE

Dennis G. Royer with Cheryl Scully, AutoNation's treasurer and vice president, investor relations.

ment. "You have to have the buy-in from the top. As part of our risk committee, we have the CFO and the general counsel on our committee," Mr. Royer said. "So right there, you have the link to the board and the audit committee."

"We have a very financially savvy board," said Cheryl Scully, treasurer and vice president of investor relations at AutoNation, to whom Mr. Royer reports.

"The main thing is they get it from a risk standpoint," she said. "As a company we've always had a risk culture, but in the past couple of years we've gotten more support around it."

Along with top-level support for ERM, though, "It needs an owner, and one of the things that Dennis is

great at is owning things and running with them," Ms. Scully said. "He's the sort of person you say, 'Go ahead and drive ERM, Dennis, and we'll clear a little bit of a path.'"

"It's clear they're really, really smart people in this company," said Mr. McCue. "I think they're incredibly managed as a company overall. They make investments, though, in areas where they think they'll get returns."

The ERM process backed by AutoNation's leaders includes quarterly risk committee meetings that allow deep dives into risks. "We talk to the risk owner about what's going right, what's going wrong, where are our opportunities, where are the challenges," Mr. Royer said. "Doing this deep

dive once a quarter allows us to explore those (opportunities) even further," he said. "And they have been very insightful discussions."

"I can't think of one of them that we didn't get a list of to-do things out of the meeting — things that we could follow up on to help make the organization better, to reduce exposures," Mr. Royer said.

The ERM process includes discussions with all AutoNation department heads. "One of the things that we try to make sure happens in our process is that all levels of the organization have the opportunity to bubble up through this process to the board anything of concern to them, any exposures, anything that's keeping them up at night," Mr. Royer said.

Those conversations form the basis of a risk inventory.

"From that it boils up to the board through the process, through the risk maps, through the risk inventory," Mr. Royer said. "It's reviewed by the risk committee. The risk committee makes suggestions to the disclosure committee for what goes in the 10-K. It's a complete cycle."

AutoNation's ERM program speaks to Mr. Royer's risk management knowledge, said Mr. McCue.

"For him to take that knowledge and come in here and apply it in a situation where it wasn't a culture that was already built here — he's had to build it and get people to think that way. To me, it's phenomenal."

INSURER LINKS PAY OFF

AutoNation Inc.'s risk management program faced a particular challenge in 2009 stemming from the General Motors Co. and Chrysler L.L.C. bankruptcies.

The two automakers' restructurings included closing several dealerships and allowed them to shed the product liability indemnification GM and Chrysler would normally provide those closed dealers. In AutoNation's case, the event led to the company facing two claims in the automakers' placements, claims its liability insurers never expected to have to face.

"There were significant legal issues in those placements over the past several years," said C. Coleman G. Edmunds, senior vice president, deputy counsel and assistant secretary at AutoNation.

Dennis G. Royer, senior director of risk management for Fort Lauderdale, Fla.-based AutoNation, said both claims the company faced came from dealerships in Texas and resulted from a Texas law that requires the seller to stand in the place of the manufacturer in product liability cases if the manufacturer is not providing indemnification.

"It was tough for us, for our carriers," Mr. Royer said. "When they sold that 2004, 2005, 2006 policy, they never assumed to have all that liability associated with the product."

One case, involving a GM vehicle, focused on an injury caused by a seat belt. The other, involving a Chrysler vehicle, involved claims of manufacturer defects, Mr. Royer said.

"This had never happened before in history," Mr. Royer said. "That's what I kept saying in my negotiations with the underwriters: It's not going to happen again."

Mr. Royer maintained open communications with AutoNation's liability insurers about the issue and ultimately negotiated successfully with them over the claims.

"I never lost any carriers on the program. We just had to promise to keep them filled in on everything else that goes on," he said. "This is where having long-term relationships comes in, because they had a lot of money in the bank from us from previous premiums."

By Rodd Zolkos

Pilot project puts dealership security to the test

BY RODD ZOLKOS

Among the cross-functional initiatives Dennis G. Royer is involved in at AutoNation Inc. is a pilot project looking to improve security at the company's dealerships.

The project is aimed at improving protection of Fort Lauderdale, Fla.-based AutoNation's assets while reducing security costs.

Mr. Royer, senior director of risk management at AutoNation, is partnering with the company's purchasing department on the project as part of an effort by Denise Foley, vice president of purchasing and human resources/payroll at AutoNation, to reduce certain costs.

"Security is an area that is one of these line items that cost us quite a bit each year, so she was looking for someone to assist with securi-

ty," said Mr. Royer. "So I raised my hand, and I said, 'If we don't have security at our dealerships, I'm paying for it because it's coming out of my losses. So it's to my benefit to try and do everything we can to try to secure the assets at the dealerships.'"

"There aren't any other companies that put the type of assets out there in the open 24 hours seven days a week the way retail automotive does," said Ms. Foley. But, in trying to secure those assets, "We've done several things in the past that were maybe not the most cost-effective and not the lowest amount of risk," she said.

"In some cases, we had armed security personnel on our property, which was extraordinarily expensive. It made the general managers feel good, but I'm not sure how effective it was," said

Michael J. Short, executive vice president and chief financial officer at AutoNation.

The pilot project involves interactive camera systems at three dealerships in different states. The cameras have motion detectors and allow someone at a monitoring system to communicate with individuals who are improperly on the dealership grounds.

The project involves three different vendors and, while the solutions are similar, the way the vendors apply them makes each solution unique, Ms. Foley said.

"We're just in the process now of getting those up and running, and we'll be testing those this year to see if we can reduce our security costs," said Mr. Royer.

After the pilot program is complete, AutoNation will compare the entire scope of results to deter-

mine the best solution, which ultimately may involve more than one vendor, Ms. Foley said.

"The analysis that's still to come is to really decide where the investments need to go," she said. Mr. Royer is "going to have to decide where does it make sense to do this."

"Everyone wants to see a perfect solution, and there probably is no perfect solution," Ms. Foley said. "But if it reduces losses, it's successful."

She said Mr. Royer has been a "great champion" for the security system project. "He's extremely engaged and interested in the right solutions," she said.

The security project is a highly visible one within AutoNation, Ms. Foley said, adding, "I think Dennis will be in the spotlight for a while with this project."

Restructured program improves coverage, saves money

BY RODD ZOLKOS

One of the first things Dennis G. Royer did after arriving at AutoNation Inc. in 2007 as senior director of risk management was overhaul the company's property insurance program.

He did a request for proposals for the property program, ultimately replacing the existing broker on the account with Marsh Inc.

"It was handled by a small broker in South Carolina that to my mind didn't have the leverage that we needed to get the clout in the marketplace," Mr. Royer said.

The move produced \$2.9 million in savings, he said.

Next, he carved Fort Lauderdale, Fla.-based AutoNation's vehicle and parts inventory out of the property program and covered inventory under a stock through-put program, a marine policy that insures a company's inventory and flow of goods from the source of production to the final destination.

"We have 50,000 cars in inventory at any one time," Mr. Royer said, and covering them under the stock through-put policy produced \$1.3 million in premium savings and better coverage. Insurers on AutoNation's stock through-put program include XL Group P.L.C., RSA Insurance Group P.L.C., Ascot Underwriting Ltd. and Amlin P.L.C.

AutoNation's property program is "pretty complicated," Mr. Royer said, with the primary layer including Ironshore Inc., Lexington Insurance Co., Liberty Mutual Holding Co. Inc., Ace USA and various Lloyd's of London syndicates. Lexington, Aspen Insurance Holdings Ltd. and Maxum Specialty Insurance Group write a second layer. C.V. Starr & Co. writes a third property layer, and a fourth layer covering California earthquake is written by Arrowhead General Insurance Agency Inc.

Mr. Royer this year restructured many of the liability coverages into a garage operations program that forms the primary layer of coverage including auto liability, product liability, completed operations and premises liability.

Ace writes that primary layer of liability coverage for AutoNation. Lexington writes the first excess layer with Great American Insurance, C.V. Starr, QBE Insurance Group Ltd., Ohio Casualty Insurance Co. and Liberty Insurance participating in higher layers.

By enhancing the company's relationship with its directors and officers underwriters — including regular pre-renewal meetings with the underwriters at AutoNation's offices, where they can question the company's chief financial officer, deputy counsel and treasurer — Mr. Royer has reduced the company's

D&O retention to \$2 million from \$10 million while reducing premiums by 60%. "That's the one renewal that we have all the insurance carriers come here," said C. Coleman G. Edmunds, senior vice president, deputy general counsel and assistant secretary of AutoNation.

Zurich North America is the primary insurer on the D&O pro-

gram, with CNA Financial Corp., Travelers Cos. Inc., Chubb Corp. and American International Group Inc. also on the coverage. Allied World Assurance Co. A.G., Ironshore, Navigators Group Inc. and W.R. Berkley Corp. all participate on the Side A coverage.

Last year, AutoNation moved to a stand-alone cyber risk policy

written by Chubb. "This day and age, when you're doing so much — each dealership basically has its own website," Mr. Royer said.

Axis Capital Holdings Ltd., Zurich and Chubb write AutoNation's employment practices coverage while Zurich, CNA, Chubb and Travelers write the fiduciary liability coverage. Chubb writes

the company's crime and employed lawyers coverages and AIG provides its kidnap and ransom insurance.

Marsh Inc. is AutoNation's broker for its property and liability programs, and Aon P.L.C. its broker for financial and executive lines. ESIS Inc. is AutoNation's third-party administrator.

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Great job opportunity near hometown drew Royer to AutoNation

BY RODD ZOLKOS

Having grown up in North Miami Beach, Fla., Dennis G. Royer was drawn to the opportunity to join AutoNation Inc. as senior director of risk management in 2007 by the chance to return to South Florida.

"My parents were in their late 80s at the time," he said. "So it was a great opportunity to come home, if you will, spend some time with my parents, and it was a great job. It turned out to be just an absolutely wonderful job."

Mr. Royer came to Fort Lauderdale, Fla.-based AutoNation from Dublin, Ohio-based Wendy's International Inc., where he'd made his professional move to risk management, ultimately becoming director of risk management there.

"My background was accounting and finance," said Mr. Royer, who has a Bachelor of Arts degree from MidAmerica Nazarene College in Olathe, Kan., and an MBA from the University of Texas at Austin. "I was in controllership positions and



JOSH RITCHIE

Mr. Royer

accounting positions of various sorts with large corporations."

Mr. Royer held those positions during stints at KFC National Management Co., Scott's Food Services Inc. and The Limited Inc. Joining Wendy's in 1994, he took a spot in the company's risk management area to assist with accounting and serve as a liaison

between the risk management department and outside auditors.

Along the way, Mr. Royer began working with insurance brokers and dealing with claims information. "I really got intrigued and got my ARM so I'd know what everybody was talking about," he said.

Shortly after earning his associate in risk management designation in 1997, Mr. Royer was asked to take over a portion of the risk management department. "Several years after that, my boss, who was the vice president of risk management, retired, so I oversaw the whole department then for several years before I left."

Mr. Royer and his wife, Peggy, have four grown children. Away from the office, Mr. Royer's interests include yoga. "I get up at 5 every morning and do an hour of yoga," he said. "It keeps things balanced." He's also a registered yoga instructor, teaching beginners' yoga and a chair yoga class ("I have 60-year-olds to 90-year-olds") at a local church.

He plays classical guitar, though

less than he once did. "I play guitar every once in a while," Mr. Royer said. "I still try to keep my hands in that a little bit."

He works with the Kissimmee, Fla.-based Give Kids the World Inc. charity where AutoNation Executive Vice President and Chief Financial Officer Michael J. Short is chairman, and helped the organization through a broker request for proposals process.

Mr. Royer also works with the Florida Conference of Methodist Churches, where he is on the risk committee. He's assisted a yoga institute in Ocala, Fla., at which he's taken classes with insurance issues.

He's a member of his local chapter of the Risk & Insurance Management Society Inc. and the national chapter, and formed a Retail Automotive Risk Management Group that allows the 10 largest auto retailers in the U.S. to share risk management best practices.

"He knows that if he's collaborative he's going to learn some

things that help him here," said James C. McCue, managing director of Marsh USA Inc. in Sunrise, Fla. "But he's also doing it to help other people because that's just the way he's built."

Mr. Royer also co-chairs a South Florida risk managers group. "He's also the most senior on that," said Cheryl Scully, AutoNation's treasurer and vice president of investor relations, to whom Mr. Royer reports. "Part of it's almost a mentoring thing. He's learning some things because you always learn some things, but he's giving more than receiving."

Mr. Royer is known for his even temper, so much so that if he says "I really didn't like that" about something, others at AutoNation jokingly say, "Oh my God, he's furious," Ms. Scully said.

"Of the people I've reported to, he's been the most easygoing, positive," said Kristin R. Slinkosky, senior manager, risk planning and control at AutoNation. "And I think that gets a lot of things done."

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Hail damage a hard risk to mitigate

Among the many exposures facing auto dealers, one with great destructive potential but little predictability is hail.

"It's hard to predict, and the severity (of the storm) is hard to predict," said Dennis G. Royer, senior director of risk management at Fort Lauderdale, Fla.-based AutoNation Inc.

Mr. Royer has worked with AutoNation's real estate and construction team to study the feasibility of hail mitigation coverings at dealerships located in hail-prone areas.

"But it's just so expensive," he said. "So we just live with it. We'll keep studying the various options that are out there, but at this point none of those have justified the expense of hail tents."

The risk manager said he discussed the issue with peer auto dealers last year, "and we all wrestle with that same issue."

"Same with the manufacturers," said Cheryl Scully, treasurer and vice president of investor relations at AutoNation, to whom Mr. Royer reports. "Because if you think about them, they have an even bigger number (of vehicles) outside."

Kristin R. Slinkosky, senior manager, risk planning and control at AutoNation, said she spends considerable time working with deal-

ers on the hail damage issue. "Mainly, dealerships just have their hail sales and move that inventory out and sell them as is," she said.

"Most of them, that's their preference," said Mr. Royer. "Some people will just take a discount on a car like that."

But, if the dealership determines

it wants to repair hail-damaged vehicles, "We tell them how much money we're going to give them for that," Ms. Slinkosky said. In those cases, hail damage is covered through AutoNation's stock through-put insurance, which covers its automobile inventory (see story, page 43).

By Rodd Zolkos



JOSH RITCHIE

Janet Gilstrap, director of risk management (left) Dennis G. Royer and Kristin Slinkosky, senior manager, risk planning and control, for AutoNation Inc.

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Ms. Crickette



Ms. DeSantis



Mr. Kenny



Ms. Luthi



Mr. Marren



Mr. Motamed



Mr. Pearce

Independent panel of judges

Business Insurance created the Risk Manager of the Year® award in 1977 to increase recognition of the risk management profession and to recognize outstanding performance in the practice of risk management.

The Risk Management Honor Roll® was introduced in 1981.

Honorees are selected by an independent panel of judges that includes winners from the previous year, insurance industry executives and the immediate past president of the Risk & Insurance Management Society Inc., which co-sponsors the awards.

Judges for the 2013 awards were:

Grace Crickette, chief risk officer for the Office of the President at the University of California in Oakland, and a member of the 2012 Risk Management Honor Roll®.

Julie DeSantis, vice president of risk management at Sony Corp. of America in New York, and a member of the 2012 Risk Management Honor Roll®.

Kevin T. Kenny, executive vice president and head of insurance brokerage and consulting at Wells Fargo Insurance Services USA Inc. in Madison, N.J.

Deborah M. Luthi, enterprise risk manager of the San Francisco Public Utilities Commission, and 2012 president of RIMS.

John J. Marren, director of global risk and insurance management at CSL Behring L.L.C. in King of Prussia, Pa., and 2012 Risk Manager of the Year®.

Thomas F. Motamed, chairman and CEO of CNA Financial Corp. in Chicago.

John Pearce, general manager of policy and risk at Fonterra Co-operative Group Ltd. in Auckland, New Zealand, and a member of the 2012 Risk Management Honor Roll®.

METHODOLOGY

The judges scored each nominee on a scale of 1 to 10, according to how well he or she:

- Established and implemented an effective risk management program within the organization.
- Tackled and solved one or more major problems for his or her organization.
- Innovatively applied the diverse tools of risk management and insurance.
- Creatively and effectively used risk financing/insurance to structure a risk financing and risk transfer program that served the needs of the organization.
- Established a workable intelligence system inside and outside the organization that culminated in a flow of information about events and activities that affect the organization's risk management and insurance.
- Skillfully performed the functions of management in the overall organization and within the risk management/insurance department.
- Achieved the most effective program at the optimum cost over the long term.
- Developed technical expertise in any or all of the broad categories included within risk management, leading to a better managerial grasp of the operations aspects of the job.
- Exhibited an attitude and performed activities fostering the advancement of the risk management profession.
- Developed his or her career.

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Claims Management Systems

In a world of increasingly stretched resources, ensuring that claims are handled effectively is a key concern for risk managers and claims staff. Insured and self-funded programs may provide peace of mind, but it is claims management processes and systems that put those programs into action.

Whether they are dealing with workers compensation claims or property/casualty claims, more corporate policyholders are turning to outside firms to help them manage the claims process. Insurers, too, frequently turn to outside claims professionals to help them manage claims issues.

An effective claims management firm can help insurers and self-insureds deal with valid claims efficiently and equitably, while addressing the concerns of employees and third-parties.

But as the claims process becomes more complex, claims management firms are increasingly competing over their ability to provide technological solutions to problems in the claims process. Many claims management firms have invested significant resources in bringing technology to bear on issues such as bill reviews, claims analysis and predictive modeling.

By offering a combination of expertise and technology, claims management firms are seeking to make further inroads into the commercial claims process.

The following pages contain information on companies offering claims services.

For more information on advertising in all of our Business Insurance Special Advertising Sections, call 312-649-5224 or email advertising@businessinsurance.com.



Coventry Workers' Comp Services

www.coventrywcs.com

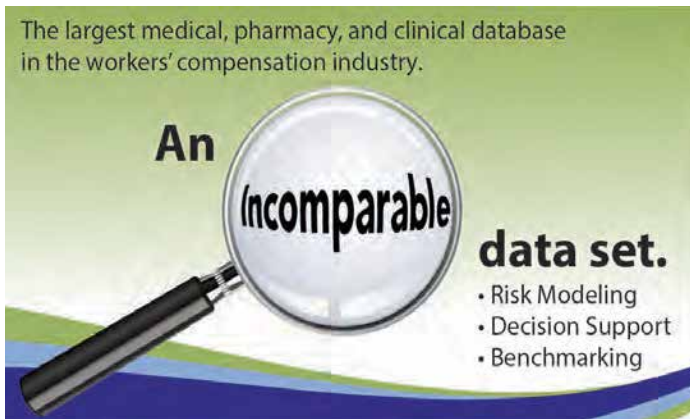
For generations, elite photographers have chosen Nikon equipment. They know that the company's superior optic technology enables them to capture images with the clarity and precision these professionals require. It's as true in today's age of digital photography as it was when Nikon introduced its first lenses 80 years ago. Likewise, organizations that want the clearest, most accurate picture of their workers' compensation risk and opportunity for change turn to Coventry Workers' Comp Services.

Seeing Clearly

Unlike the siloed solutions offered by ancillary suppliers, Coventry uses data from multiple touch-points, including claims, clinical, prescription, medical and provider billing data sources in its data warehouse, the largest and broadest data store in the industry. Coventry's Global inSight® risk modeling tools leverage this integrated dataset to identify claims for intervention based on treatment patterns, psycho-social, demographic and clinical attributes, drawing on data from more than 30 million clinical transactions annually. Global inSight® alerts clinicians and claim professionals when risk is evident throughout claim life and prompts the right level of intervention to occur.

Putting the Vision to Work

Drawing on its clinical expertise, Coventry has developed best practices for managing workers' compensation injuries, with a particular focus on at-risk populations identified through its risk modeling such as narcotic users, an aging



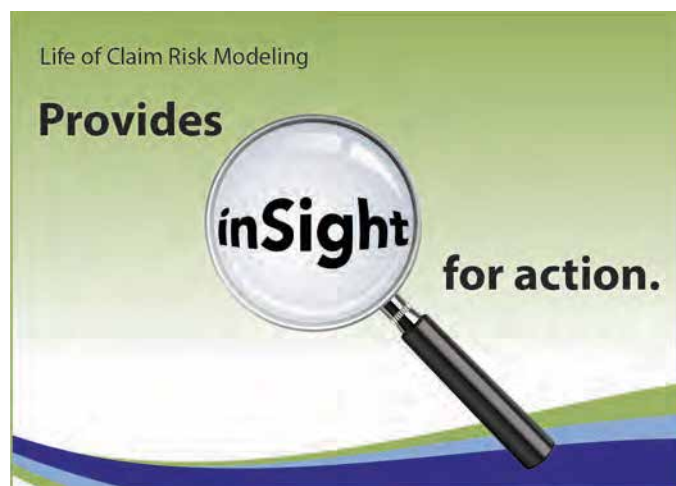
workforce and potential chronic pain sufferers. Recognizing the necessity of treating the person, not just the diagnosis, Coventry incorporates behavioral coaching into its case management model. With expert case managers, an outcomes-based network of workers' compensation providers and a comprehensive range of clinical solutions, Coventry achieves optimal outcomes for the injured workers, the employers and the payors they serve.

Coventry's Global inSight® risk modeling tools and clinical best practices are embedded within each of its products, enhancing each individual offering to best in class levels.

By leveraging its integrated systems, broad product suite, clinical and analytical expertise and Global inSight® tools, Coventry also offers a fully integrated managed care program that is unmatched in product excellence, service quality and measurable outcomes.

Coventry Workers' Comp Services delivers the clarity necessary to find the problem, fix it and measure results.

Company Key Opportunities/Features



Outcomes-based Network Gives Employers a Better Lens

With its unique ability to provide clarity, Coventry Workers' Comp Services is shedding light on providers and outcomes. In 2009, Coventry launched an outcomes-based network (OBN) designed to give employers a lens to see which providers are driving optimal patient outcomes and to access a more selective and focused managed care option.

A Promising Picture

Results of the pilot in Florida have been impressive. Coventry analyzed approximately 68,000 claims opened between January 2010 and April 2011, as well as medical services during that same period. It found that the outcomes-

based network can drive shorter medical treatment and claim durations, lower utilization and lower medical costs, and support better outcomes.

OBN claims averaged:

- 40 percent lower medical treatment durations and approximately 20 percent lower claim durations than non-OBN claims
- Average medical cost for OBN claims was 50 percent lower
- Lost-time claims had 30 percent lower indemnity costs
- OBN claims had lower inpatient utilization rates for both medical-only and lost-time claims.
- Inpatient costs per claim were about 45 percent lower for OBN claims
- Hospital outpatient costs were 60 percent lower
- At the 12-month mark, OBN claims experienced approximately 50 percent lower incidence of permanent partial disability compared with non-OBN claims

A Vision of Optimal Outcomes

With strong results from the Florida pilot, Coventry expanded the OBN to eight additional states, with availability in 21 states by third quarter of 2013. The OBN program is just one example of how Coventry can leverage its data warehouse and analytical capabilities to identify risks and best practices. The result is a unique perspective that benefits employers and payors, providers and injured workers and delivers optimal, timely and cost-effective outcomes.



WHAT WE DO

Coventry Workers' Comp Services, a division of Coventry Health Care, offers cost and care management solutions to the workers' compensation, auto, and disability industries. With roots in both clinical and network services, we leverage more than 30 years of industry experience, knowledge and data analytics. We offer an integrated suite of solutions, powered by technology to enhance network development, clinical integration and operational efficiencies at the client desktop, with a focus on total claims cost.

WHO WE TARGET

Managed care executives and risk managers of:

- Employers
- Insurance carriers
- Third-party administrators

SOLUTIONS:

CLINICAL SOLUTIONS

- Pharmacy Utilization Management
- 24/7 Nurse Triage
- Utilization Review
- Case Management
- Independent Medical Examinations

NETWORK SOLUTIONS

- Physicians
- Facilities
- Occupational Medicine Clinics
- Physical Medicine
- Diagnostic & Radiology
- Outcomes-based Networks
- State Certified Networks

TECHNOLOGY SOLUTIONS

- Coventry Connect® – Client Portal
- Bill Review

PHARMACY & DME SOLUTIONS

- Pharmacy Benefit Solutions
- Durable Medical Equipment

METRICS

- Nationwide provider network consisting of more than 700,000 professional and ancillary providers and 5,000+ hospitals.
- 67,000+ retail pharmacy locations, including all major drug, mass retail and grocery store chains, plus 97% of local independent pharmacies.
- 275,000+ Utilization Reviews Annually.
- 650+ results-oriented, specialty trained nurse and vocational case managers nationally.
- 350+ catastrophic trained nurses.
- 44% of NT24 Nurse Triage cases result in self-care.
- 17 MCO jurisdictions supported including California, Texas, New York and Illinois.

CONTACT

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It is no revelation that when effective subrogation efforts are applied it can have a significant impact on a risk taker's financial performance. Unfortunately, high caseloads and staffing constraints, combined with the daily demands placed on claims professionals, can result in an inadequate emphasis on recoveries...even more so during and post CAT season. Outsourcing subrogation is a worthwhile consideration and can prove to be an extremely valuable asset to a claims operation. However, selecting the right partner can be overwhelming given the number of service providers in the marketplace, many of whom may not possess the appropriate level of expertise.

Engle Martin Claims Administrative Services (EMCAS) is the claims management division of Engle Martin & Associates, Inc., a national independent adjusting firm specializing in commercial property and casualty lines. The EMCAS Subrogation and Recovery Unit has a proven track record of success in handling losses of all sizes for insurance carriers, managing general agents (MGAs), self-insured entities, and program administrators for classes of business such as transportation, retail, multi-family housing, construction, heavy equipment and manufacturing.

"A consistently effective approach to subrogation requires a proactive and creative mindset. Many opportunities can be lost if they are not addressed immediately, while others might not be readily apparent," says Bob Gambell, Executive Vice President of EMCAS. "Claims departments are challenged with



"A consistently effective approach to subrogation requires a proactive and creative mindset."

Bob Gambell, CPCU
Executive Vice President
of EMCAS

the task of satisfying a variety of interested parties while attempting to achieve prompt and accurate claims resolutions. It is not uncommon for subrogation to take a back seat during that process. Having a savvy business partner who can complement those efforts can be very impactful towards maximizing recovery potential."

EMCAS' experienced recovery specialists deliver unparalleled service and professionalism with a genuine commitment to its clients' success. Vivian Conley, EMCAS Subrogation Specialist added, "Pursuing subrogation and recovery on only the larger or obvious losses inevitably leads to lost opportunities. Claims of all sizes and types are considered for EMCAS subrogation clients because in the end, every dollar counts."

EM

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ASSOCIATES, INC.

Adjusters & Claims Administrators

Engle Martin & Associates, Inc. is a leading national independent loss adjusting and claims management provider. Privately held and owner operated, the firm delivers a comprehensive line of service offerings including commercial property, casualty, inland marine/cargo, heavy equipment and large loss adjusting, as well as TPA/claims management and subrogation services.

Engle Martin's team of insurance professionals has an unparalleled understanding of the complexities of risk and the innate ability to effectively control and manage the claims process through technical expertise, timely communication, and comprehensive loss reporting.

For more information, please visit our website at www.englemartin.com or contact W. Todd Evans, Executive Vice President, at 800.818.5619 or tevans@englemartin.com



Gavin
Age 6

Oliver
Age 3

Sons of
Vivian Conley,
Subrogation Specialist

"Our mommy makes the covers..."

EMCAS

ENGLE MARTIN CLAIMS
ADMINISTRATIVE SERVICES

Well, not exactly... what Gavin and Oliver mean to say is that their mommy makes recoveries. As a Subrogation Specialist, Vivian Conley takes pride in providing personal service and maximizing subrogation and recovery efforts for Engle Martin Claims Administrative Services (EMCAS) clients.

The EMCAS Subrogation and Recovery Unit has a track record of success handling losses of all sizes for insurance

carriers, managing general agents (MGAs), self-insured entities (SIRs), and program administrators, in business sectors such as banking, retail, transportation, hospitality, multi-family housing, and construction.

For more information about EMCAS Subrogation and Recovery services, please call 800.818.5619 or email us at marketing@englemartin.com.

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TAKING STOCK OF THE MARKET SINCE SUPERSTORM SANDY

Q What effect has Superstorm Sandy had on the commercial property insurance market?

A From a client perspective, they can feel very good because the commercial insurance companies all had very strong balance sheets and could very comfortably meet all of their obligations. Even though it was one of the largest events in our history, it has not had a balance sheet effect. From my point of view, that spoke well of the balance sheet and the capitalization of insurers.

These particular areas were known to be flood-prone and known to be wind-prone. We knew that these properties were below sea level in some cases or could be flooded significantly because of their geographic location. Despite that, everybody knew what the issue was. The issue really, for the reinsurers, was a question of aggregation. The aggregation to some extent seemed to surprise people, but there the reinsurers did very well and managed all of that well. There will be more questions about aggregation. How you aggregate the modeling capabilities will start to take on more importance. There will be a bigger focus on the aggregation from flood. In the past, there's been a lot of time spent on the aggregation from wind, but not

Q&A

as much on flood.

Q What were the major property loss-control lessons from Sandy?

A Lots. One of the few natural disasters that you can truly prepare for is a flood, because you know when it's going to occur. You're forewarned. So a flood emergency response plan is something you can put into place and do very well with. If you had a flood emergency plan in place, you worked at it. You tested it. You put it into place. It worked.

If you know you're exposed, you can prepare for it; and if you prepare for it, you're resilient. You're going to find that the companies that were resilient through this process were the ones that pre-

pared for the flood.

Q Do you think the experience with Sandy will make private companies and public entities in the Northeast more aware of the exposures they face from storms like this?

A Most commercial enterprises, for the most part, always know what their flood exposures are; the insurance companies have pointed it out to them. But the human experience is always, "It won't happen to me; it will happen to everybody else, but it won't happen to me." From a commercial insurer point of view, what it will do is make them develop even more sophisticated models and more precise models about the flood exposures.

The way the insurance industry has dealt with flood exposures is to essentially limit capacity that they offer, but they haven't spent much time on the aggregation, and I think this is going to be getting everybody to focus more on the aggregation.

Q Where do you see the next major advances in loss control?

A Many different places. Any kind of commercial industry, whether it be in manufacturing or services,



SHIVAN SUBRAMANIAM
FM GLOBAL

Shivan S. Subramaniam has been FM Global's chairman since 2002 and CEO of the Johnston, R.I.-based property insurer since 1999. He recently spoke with *Business Insurance* Senior Editor Mark A. Hofmann about how Superstorm Sandy affected the property insurance market and the practice of loss control. Edited excerpts follow.

they are all becoming global, where they have many vendors and suppliers all down the line. So the whole issue about supply chains has now become significantly more important than before.

The Thailand flooding was a great example. A lot of clients had a lot of insured losses not because they had a location in Thailand, but because they had a supplier or client in Thailand. One of the loss control advances that's happening today is coming up with better ways to help clients manage the supply chain exposure. I think that will be one area in which a significant amount of work will be done.

A second area is fire-protection systems. Better and better designs are coming out where it's becoming less expensive to install fire-protection systems.

A third thing is all about smart

systems. When you think about what the computer did to the automobile industry, it made cars so much more efficient by using those small computers that are in our cars today. I think similar will be happening soon in the whole process of protection of equipment and maintenance of equipment.

Q Where do you see FM Global five years from now?

A We'll still be the same boring company we've always been. We'll be doing the same things we've been doing for the last 178 years. The only difference is we'll be doing it even more on a global scale. We're now in about 120 countries, and we're hoping our footprints in those countries will get bigger and our footprints will be in many new territories.

COMINGS & GOINGS

UP CLOSE: CAMERON MCNEILL

TORONTO-BASED SENIOR VICE PRESIDENT AND RETIREMENT PRACTICE LEADER
The Segal Co. Ltd.

PREVIOUS POSITION: Toronto-based retirement leader for global consulting with Buck Consultants L.L.C.

LOOKING FORWARD TO: Being a part of a medium-sized, privately owned company that has a really strong focus on growing long-term client relationships.

GOALS FOR NEW POSITION: We want to make sure our clients are very happy and get quality work. We also want to grow our presence in the market.

CHALLENGES FACING INDUSTRY: Most pension plans are in deficit positions at the moment, and the challenge is finding a way to deal with the likelihood of lower market returns and find a way to help our clients.

WHAT I WOULD CHANGE: In Canada, I would like to see the whole regulated environment simplified, in part so people can better understand pensions and how they work.



FIRST INDUSTRY JOB: I've always been on the actuarial stream, then and now. Actuaries tend to never jump the boat.

WHAT SURPRISED ME: I still continue to be surprised by the level of understanding out there among client members and the tremendous reluctance of the industry to embrace that.

ADVICE: The actuarial field is pretty tough. The exams are not easy. You have to be prepared to commit a lot of time. Think very hard before you go down the pension stream because of the number of pension plans. There are not that many jobs out there.

OUTSIDE THE INDUSTRY, A DREAM JOB: I have always had this idea that I could make some money designing and building handmade kitchen furniture.

HOBBIES: I have two teenagers ... Most of my time is (spent) providing a free taxi service for sports.

Professional Moves & Promotions

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

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PricewaterhouseCoopers L.L.P.	Jim Bichard
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Business Insurance would like to report on senior-level changes at commercial insurance companies and service providers. Please send news and photos of recently promoted, hired or appointed senior-level executives to: Anna Gaynor, *Business Insurance*, 150 N. Michigan Ave., Chicago, Ill. 60601-7524. agaynor@businessinsurance.com.

HIPAA privacy tools available from Buck

Buck Consultants L.L.C. has rolled out service and training tools addressing new privacy and security rules mandated by recent modifications to the Health Insurance Portability and Accountability Act.

The changes include a significantly broadened definition of a health care provider's business associates and altered criteria when deciding whether a cyber breach requires notification.

The program begins with a 30-minute review of an organization's compliance status to provide any necessary recommendations concerning privacy and security training materials, policies and procedures, notices and risk analysis.

"Group health plans and other HIPAA-covered entities should get in front of the September 2013 deadline as soon as possible," said Tami Simon, managing director of the knowledge resource center at Buck Consultants, in a statement. "Buck is making it simple for employers to check their current HIPAA-compliance status and make appropriate changes."

In addition, the knowledge resource center offers training programs on the compliance requirements, including a self-service version and facilitator-led sessions available online or in person.

Costs will be based on the needs of each organization.

For more information, contact Ms. Simon at 202-776-1004 or tami.simon@buckconsultants.com.

Catlin launches program for rural, specialty hospitals

Catlin Underwriting Agencies Ltd., a London-based unit of Catlin Group Ltd., has partnered with Sapphire Blue, a managing general underwriter, to provide an



BeneTrac opens call center to aid selections

***** BeneTrac, a subsidiary of Paychex Benefit Technologies Inc., has launched a call center aimed at helping employers and workers navigate benefit plan designs and new regulations under the federal health care reform law.

The call center provides 24-hour access to BeneTrac benefits specialists prepared to answer questions about any of an employers' sponsored benefit programs, including group health, vision, dental, disability, retirement and other voluntary benefits, according to a BeneTrac statement.

"With this new offering, we combine benefits education with benefits administration to help employees to understand the breadth and depth of their benefits package," said Summer Hamilton, San Diego-based vice president of sales for BeneTrac, in the statement.

insurance program targeted for small rural and specialty hospitals in the U.S.

The coverages include hospital professional liability on a claims-made basis

and general liability on a claims made or occurrence basis, said Sapphire Blue, a Chicago-based Ryan Specialty Group L.L.C. company, in a statement.

The program also includes claims and risk management tools provided by Pendulum L.L.C. and The Sullivan Group. Primary limits of \$1 million and \$3 million are available with up to \$5 million in excess coverage. Extensions, which include Medicare/Medicaid billing errors and omissions, are offered on an individual basis.

"In collaboration with Sapphire Blue, we are offering the U.S. market products and services that will enable smaller hospitals in rural areas to take advantage of the kinds of risk management services typically available only to larger entities," said Dan Curran, head of casualty at Catlin Underwriting Agencies, in a statement.

Ascent makes changes to cyber breach program

Ascent Underwriting has segregated its cyber breach notification costs from its main insurance policy limit.

The London-based managing general agent also said it would be partnering with IDT911, an identity management and data risk management solutions provider. The company will be providing pre- and post-risk services to Ascent's clients in the U.S., Canada, U.K. and Europe.

"The notification costs following a cyber breach can run into hundreds of thousands of dollars and potentially burn through a considerable proportion of the main policy limit," said David Umbers, director of Ascent, in a statement. "By ring-fencing these costs and introducing expert support, we can help to prevent this undesirable scenario and preserve the main limit to protect the client from the impact of wider civil actions and regulatory fines."

DEALS & MOVES

Atlas General acquires commercial property agency

Atlas General Insurance Services L.L.C. has acquired South Bay Underwriters L.L.C. from managing general agency and surplus lines broker Bliss & Glennon Inc.

Terms of the deal were not disclosed.

San Diego-based Atlas, a general insurance agency that focuses on workers compensation, said the newly acquired unit would be known as Atlas Specialty Property Division upon completion of the transaction, which is expected in May.

The acquired operation will be based in Atlas' new office in Manhattan Beach, Calif., and headed by John Coleman.

Atlas said the division will provide difference-in-conditions coverage and concentrate on "commercial property risks largely (made up) of real estate schedules, municipalities and retail with catastrophic exposed perils."

"We are thrilled to establish our footprint in the commercial property arena, especially behind such a reputable individual as John Coleman," Andrew Petersen, executive vice president of Atlas, said in a statement. "We look forward to growing our presence in this space under his leadership."

Gallagher buys N.J. broker Advanced Benefit Advisors

Arthur J. Gallagher & Co. said it has acquired Advanced Benefit Advisors Inc., a Cherry Hill, N.J.-based benefits broker.

Established in 2005, Advanced Benefit provides group health care, wellness, dental, life and disability benefit plan placement and consulting services predominantly for employers in the automotive, financial services and health care industries.

Terms of Gallagher's purchase were not disclosed. "ABA is well-known in the industry for their team-focused approach to personalized client service and solid market relationships," J. Patrick Gallagher, president and CEO of Itasca, Ill.-based Gallagher, said in a statement. "Their specialization and geographic presence will be an excellent complement to our employee benefits operation."

A staff of about 15, including President and CEO Robert Petcove, will remain with the company under the direction of David Ziegler, executive vice president of Gallagher's employee benefit practice for the eastern region.

Advanced Benefit Advisors is the fifth benefits brokerage Gallagher has purchased since the start of the year. The other four were Hardman & Howell Benefits L.L.C., Argus Benefits, Gardner & White Corp. and Corporate Benefit Advisors Inc.

Gallagher is the third-largest broker of U.S. business based on *Business Insurance's* 2012 ranking.

Hilb Group expands with brokerage purchase

As part of its ongoing strategy to grow through middle-market insurance brokerage acquisitions, Richmond, Va.-based Hilb Group L.L.C. has purchased Engle, Paxson & Hawthorne Insurance Services L.L.C. of Leesburg, Va.

Terms of the transaction, effective April 1, were not disclosed. Hilb has offices in Georgia, Maryland, New York, North Carolina, Tennessee and Virginia.

Configurability eases software modifications

TECHNOLOGY

HOW DOES IT WORK?



BILL KENEALY

The tools risk managers use to weigh risk are a distinct subset of the broader enterprise software arena but ultimately reflect it.

One notable software trend is that of configurability, where the end users can significantly alter the software to suit their needs without having to access the software's source code.

David A. Tweedy, senior consultant and director of RMIS solutions at Sacramento, Calif.-based Bickmore & Associates Inc., said the advent of configurability is a welcome addition to risk management information systems.

"When the RMIS industry was in its infancy, it was akin to a Model T Ford; you could have any color you wanted as long as it was black," he said. "Now, from a functionality standpoint, a lot of RMIS providers are looking to empower the end user by allow-



ing them to configure the report that the system provides as much as possible."

Sabrina Hart, New York-based chief underwriting officer for Zurich Global Corporate in North America, said empowering the end user through greater configurability was a motivating factor behind the latest refresh of the insurer's browser-based RMIS product, RiskIntelligence, which was completed in 2012. The move to configurability is espe-

cially evident in the RiskIntelligence reporting functions.

In addition to standardized reporting, users can use data elements to build their own reports, Ms. Hart said.

"We have standardized reporting functionality but we are really driving ad hoc reporting," Ms. Hart said.

"We want to provide powerful analytical tools that enable the user to manipulate the data in a way that brings the most value to their organizations," she added.

Ms. Hart said that when Zurich began to plan the latest update to RiskIntelligence, it set up focus groups with customers and soon came to realize that providing a powerful analytic tool was paramount.

"We always have had significant amounts of data but it was really about how to get that data out and analyze it a meaningful way," she said.

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PUBLIC NOTICES

REQUEST FOR PROPOSAL

GOVERNMENT OF GUAM
HUMAN RESOURCES DIVISION
DEPARTMENT OF ADMINISTRATION

REQUEST FOR PROPOSAL (RFP)
(DOA/HRD - RFP - GHI - 14-001)
FY2014 Group Health
Insurance Program

The Government of Guam is accepting proposals from interested and qualified health insurance companies licensed under the applicable Guam laws, to provide health insurance coverage for eligible government of Guam active employees, retired employees, survivors of retired employees and their dependents.

The RFP will be available on the Department of Administration, Human Resources Division's website at www.hr.doa.guam.gov on May 01, 2013, Guam time, at no charge.

All questions regarding this RFP must be submitted in writing and received by the Director of the Department of Administration, as identified in the RFP, no later than 4:00 p.m., May 13, 2013, Guam time.

All hard copies and electronic files of the entire proposal must be received by the Director of the Department of Administration no later than 4:00 p.m., May 29, 2013, Guam time.

Should you have any questions regarding this RFP, please call the Human Resources Division, Department of Administration at (671) 475-1179/1296.

/s/

BENITA A. MANGLONA, Director
Department of Administration

LEGAL NOTICE

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

IN RE PETITION OF DAN YORAM
SCHWARZMANN, AS ADMINISTRATOR OF
FOLKSAM INTERNATIONAL INSURANCE
COMPANY (UK) LIMITED,
DEBTOR IN A FOREIGN PROCEEDING
CASE NO. 02-14070 (SCC)

NOTICE IS HEREBY GIVEN THAT ON APRIL 8, 2013, THE BANKRUPTCY COURT ENTERED AN ORDER (THE "ORDER") CONTINUING THE PRELIMINARY INJUNCTION ORDER PURSUANT TO 11 U.S.C. §304 ORIGINALLY ENTERED IN THIS CASE ON SEPTEMBER 9, 2002. THE ORDER SHALL REMAIN IN EFFECT PENDING A HEARING SCHEDULED FOR OCTOBER 15, 2013 AT 10:00 A.M. (THE "RETURN DATE") BEFORE THE HONORABLE SHELLEY C. CHAPMAN, UNITED STATES BANKRUPTCY JUDGE, IN THE UNITED STATES BANKRUPTCY COURT LOCATED AT ONE BOWLING GREEN, NEW YORK, NEW YORK. ALL PAPERS SUBMITTED FOR THE PURPOSE OF OPPOSING THE CONTINUATION OF THE ORDER AFTER THE RETURN DATE SHALL BE FILED WITH THE COURT, WITH A COPY TO THE CHAMBERS OF THE HONORABLE SHELLEY C. CHAPMAN, AND SERVED ON COUNSEL FOR THE ADMINISTRATOR LISTED BELOW, SO AS TO BE RECEIVED AT LEAST FOURTEEN (14) DAYS PRIOR TO THE RETURN DATE. ANY PERSON WISHING TO OBTAIN A COPY OF THE ORDER SHOULD CONTACT COUNSEL TO THE ADMINISTRATOR.

CHADBOURNE & PARKE LLP
ATTORNEYS FOR THE ADMINISTRATOR
30 ROCKEFELLER PLAZA
NEW YORK, NEW YORK 10112
(212) 408-5100
ATTN: HOWARD SEIFE, ESQ.
FRANCISCO VAZQUEZ, ESQ.

LEGAL NOTICE

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

IN RE PETITION OF ROLF ÅBJÖRNSSON,
AS OFFICIAL RECEIVER OF
ÅTERFÖRSÄKRING AB LUP,
DEBTOR IN A FOREIGN PROCEEDING
CASE NO. 03-10945 (SCC)

NOTICE IS HEREBY GIVEN THAT ON APRIL 8, 2013, THE BANKRUPTCY COURT ENTERED AN ORDER (THE "ORDER") CONTINUING THE PRELIMINARY INJUNCTION ORDER PURSUANT TO 11 U.S.C. §304 ORIGINALLY ENTERED IN THIS CASE ON FEBRUARY 19, 2003. THE ORDER SHALL REMAIN IN EFFECT PENDING A HEARING SCHEDULED FOR OCTOBER 15, 2013 AT 10:00 A.M. (THE "RETURN DATE") BEFORE THE HONORABLE SHELLEY C. CHAPMAN, UNITED STATES BANKRUPTCY JUDGE, IN THE UNITED STATES BANKRUPTCY COURT LOCATED AT ONE BOWLING GREEN, NEW YORK, NEW YORK. ALL PAPERS SUBMITTED FOR THE PURPOSE OF OPPOSING THE CONTINUATION OF THE ORDER AFTER THE RETURN DATE SHALL BE FILED WITH THE COURT, WITH A COPY TO THE CHAMBERS OF THE HONORABLE SHELLEY C. CHAPMAN AND SERVED ON COUNSEL FOR THE OFFICIAL RECEIVER LISTED BELOW, SO AS TO BE RECEIVED AT LEAST FOURTEEN (14) DAYS PRIOR TO THE RETURN DATE. ANY PERSON WISHING TO OBTAIN A COPY OF THE ORDER SHOULD CONTACT COUNSEL TO THE OFFICIAL RECEIVER.

CHADBOURNE & PARKE LLP
ATTORNEYS FOR THE OFFICIAL RECEIVER
30 ROCKEFELLER PLAZA
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- Thomas Leonard – Commissioner, Connecticut Department of Insurance, USA
- William Marcoux – Partner, DLA Piper, USA
- Jay Nichols – CEO, Axis Reinsurance, Bermuda
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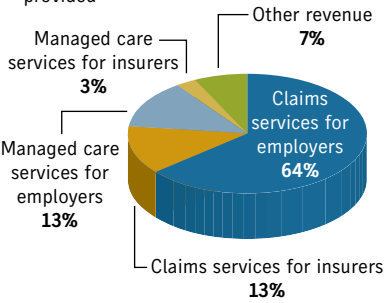
LARGEST THIRD-PARTY CLAIMS ADMINISTRATORS

Ranked by 2012 gross revenue

Rank	Company	Headquarters	TPA services provided	Gross revenue 2012	Total claims staff	Officers
1	Sedgwick Claims Management Services Inc.	Memphis, Tenn.	Multiline	\$1,152,513,810	9,891	David A. North, president/CEO
2	Gallagher Bassett Services Inc.	Itasca, Ill.	Property/casualty only	\$571,664,000	3,789	Scott Hudson, president/CEO
3	UMR Inc.	Wausau, Wis.	Employee benefits only	\$528,455,252	N/A	Jay M. Anliker, CEO
4	York Risk Services Group Inc.	Parsippany, N.J.	Multiline	\$368,200,000	N/A	Tony Galoto, president/CEO
5	ESIS Inc.	Philadelphia	Multiline	\$344,000,000	1,119	David Patterson, president
6	Broadspire Services Inc., a Crawford Co.	Atlanta	Multiline	\$331,265,000	1,700	Danielle Lisenbey, CEO
7	Meritain Health	Buffalo, N.Y.	Employee benefits only	\$232,100,000	N/A	Mark Schmidt, CEO
8	CoreSource Inc.	Lake Forest, Ill.	Employee benefits only	\$161,800,369	N/A	Nancy Eckrich, president
9	HealthSmart Holdings Inc.	Irving, Texas	Multiline	\$161,260,000	250	James M. Pennington, president
10	Helmsman Management Services L.L.C.	Boston	Multiline	\$154,136,000	803	Debbie Michel, president

TPA REVENUE*

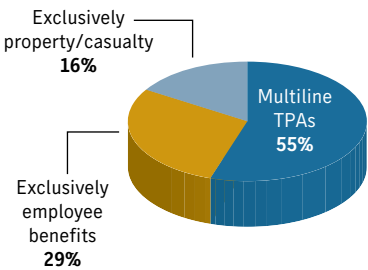
Percentage of revenue from all services provided



*Companies listed in the BI directory.

TYPES OF SERVICES PROVIDED*

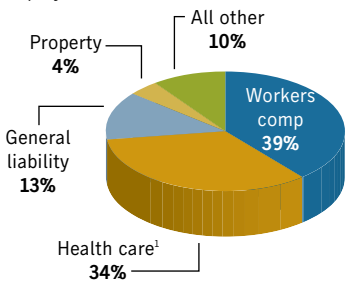
Percentage of TPAs handling multiline, employee benefits-only and property/casualty-only claims



*Companies listed in the BI directory.

TYPES OF CLAIMS MANAGED*

Percentage of claims types handled for employers in 2012



*Companies listed in the BI directory.

1 Includes medical, vision, dental and prescription drugs.

LARGEST CLAIMS-HANDLING TPAs

Ranked by 2012 revenue from claims handled for employers

Rank	Company	2012 revenues from employers
1	Sedgwick Claims Management Services Inc.	\$923,052,951
2	UMR Inc.	\$486,712,201
3	Gallagher Bassett Services Inc.	\$482,715,200
4	Broadspire Services Inc., a Crawford Co.	\$227,268,000
5	ESIS Inc.	\$219,000,000

Researched by Angelina Villarreal

LARGEST MULTILINE TPAs

Ranked by 2012 direct employer claims revenue

Rank	Company	2012 revenue
1	Sedgwick Claims Management Services Inc.	\$923,052,951
2	Broadspire Services Inc., a Crawford Co.	\$227,268,000
3	ESIS Inc.	\$219,000,000
4	York Risk Services Group Inc.	\$182,600,000
5	Helmsman Management Services L.L.C.	\$96,179,000

LARGEST PROPERTY/CASUALTY-ONLY TPAs

Ranked by 2012 property/casualty claims revenue*

Rank	Company	Gross 2012 revenue
1	Gallagher Bassett Services Inc.	\$482,715,200
2	PMA Cos.	\$29,037,000
3	Constitution State Services Ltd. Liability Co.	\$22,500,000
4	CCS Holdings L.P.	\$7,912,000
5	Peter J. McBreen & Associates Inc.	\$170,000

* Excludes managed care and medical billing services.

LARGEST EMPLOYEE BENEFITS-ONLY TPAs

Ranked by 2012 benefits claims revenue from employers

Rank	Company	2012 revenue
1	UMR Inc.	\$486,712,201
2	Meritain Health	\$209,500,000
3	CoreSource Inc.	\$141,696,156
4	HealthScope Benefits	\$76,000,000
5	Health Plans Inc.	\$26,856,884



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FERTILIZER

Continued from page 3

workers compensation insurance, said Terry Frakes, senior vice president of public affairs at Austin-based workers comp underwriter Texas Mutual Insurance Co.

Texas Mutual insures 15 small businesses within the ZIP code of the blast area, and Mr. Frakes said he expected workers compensation losses would be mitigated because the explosion occurred in the evening when most employees would be away from their jobs. Yet he expects to see some workers comp claims.

The fertilizer company, which public documents say is owned by Adair Grain Inc., likely did not purchase workers comp insurance, several sources said. Texas allows employers to opt out of its workers comp system. The company could not be reached for comment.

Reports varied on the number of workers employed by the fertilizer company, ranging from eight to 20.

The event could trigger a broad range of insurance coverage that includes commercial property, business interruption, third-party liability, health and personal lines, said Joe Woods, vice president of state government relations for the Property Casualty Insurers Association of America in Austin.

“Any time there is an explosion at a refinery or manufacturing facility, liability claims tend to follow,” Mr. Woods said.

But several observers said it would be unusual for a small company in West, Texas, to purchase enough liability insurance to cover the losses from such an event. Such companies typically purchase \$1 million to \$2 million in liability limits, perhaps with a \$10 million umbrella, said Kathy van Eeten, president of the Austin-based

Texas Surplus Lines Association.

“There are companies that have hundreds of millions of dollars (in liability limits), but not generally a company in West, Texas,” she said. “A lot of businesses in those rural areas are family-owned businesses and they don’t buy that much insurance. They buy what they think they need ... but nobody plans for a disaster like this.”

Risk management planning also was questioned last week.

The Environmental Protection Agency said it inspected the fertilizer company’s risk management plan, which it was required to have because of quantities of ammonia stored there, in 2006. The EPA then fined the company \$2,300 for several deficiencies, including failing to update the plan and document hazards, and maintaining poor employee training records.

The facility is required to submit an updated risk management plan at least every five years and federal documents show that it did so in 2011. The company told the EPA that it was prepared to address anhydrous ammonia mishaps.

“The owners, management, and employees of the West Fertilizer Co. are committed to the prevention of any accidental releases of anhydrous ammonia,” the company told the EPA. “If an accidental release should occur, the facility is prepared to work with the local fire company, or other authorities, to mitigate any release and minimize the impact of the release to people and the environment.”

But news reports last week questioned whether that plan adequately addressed the storage of ammonium nitrate. West Fertilizer recently notified the Texas Department of Health Services that it was storing hundreds of thousands of pounds of the more volatile substance.

Senior Editor Judy Greenwald contributed to this article.

NFL

Continued from page 3

to file a comp claim also does not begin until an employee is informed of his or her right to file for benefits, sources say.

Together, those provisions are beneficial for retired athletes who did not receive official notice of their workers comp rights and developed work-related medical problems long after their careers ended, said Modesto Diaz, an attorney who represents various NFL players suing to proceed with their claims in California.

Those injuries include neurological and cognitive problems that football players say they developed because of concussions they suffered on the field in California and nationwide (see box, page 3).

“The effects of these repeated blows (are) very serious to these guys,” said Mr. Diaz, who is managing partner with Santa Ana, Calif.-based law firm Leviton, Diaz & Ginocchio Inc. “So you’ve got to go to a state that recognizes that type of injury.”

A.B. 1309 would bar professional athletes and their dependents from receiving California comp benefits if the athlete was hired by a team outside the state. The bill, set for a hearing Wednesday in the Assembly Insurance Committee, would apply to minor and major league baseball, basketball, football, hockey and soccer players.

California Assembly member and Insurance Committee Chairman Henry T. Perea, D-Fresno, introduced the bill last month. In a March statement, he said out-of-state athletes’ comp claims are “overburdening the system and increasing costs for courts and claimants.”

An August 2012 report by Seattle-based actuarial and consulting

firm Milliman Inc. estimated that California’s cumulative trauma cases from professional athletes who played in the past 30 years could reach \$1.57 billion — \$825 million of which includes estimated losses from retired players who have not yet filed claims.

The report, provided to *Business Insurance* by ACIC, was prepared for the NFL, the National Basketball Association, the National Hockey League and Major League Baseball.

Milliman estimated that 78% of California’s sports-related cumulative trauma claims come from out-

“These players eventually are going to find their way onto Social Security and Medicare ... for that medical care. And who pays for Medicare? You, and me and every other person — not just in California, but throughout the country.”

Modesto Diaz,
Leviton, Diaz & Ginocchio Inc.

of-state athletes, or about \$1.23 billion in estimated losses.

Mr. Sektnan said some of those sports-related claims are being paid by the California Insurance Guarantee Association, which pays claims for insolvent insurers and is funded by assessments on California employers. Milliman estimates CIGA has had 1,700 workers comp claims from out-of-state players.

“As more of these cases that are not appropriate come into the guarantee association ... the assessment that employers are now paying might have to be increased to cover these claims,” Mr. Sektnan said.

The National Football League Players Association, the union for NFL athletes, has agreed to help prevent athlete claims from being paid by CIGA, said Richard Berthelsen, Washington-based general counsel for the group. He said that CIGA has paid about \$4 million a year in claims for professional athletes, compared with \$161 million in California income taxes paid by out-of-state professional athletes in 2010.

Mr. Berthelsen also noted that the NFL’s collective bargaining agreement requires the cost of workers comp benefits to be taken from the players’ share of NFL revenue under the league’s salary cap system. Since players bear the cost of comp benefits, he said they should have a right to collect benefits in California or other states where they’ve been injured.

In addition to the legislative debate over sports comp claims, federal courts have sided with the NFL in several recent cases in which former football players have fought to seek California comp benefits.

Mr. Diaz said the lawsuits have stemmed from a series of arbitration agreements that were handed down in recent months. The players seek to vacate the arbitration awards, he said, because California workers comp often is a last resort for many retired athletes, who sometimes need ongoing care for injuries they suffered during their sports careers.

Many athletes who haven’t been able to receive workers comp for their injuries have turned to Medicare for assistance, Mr. Diaz said.

“These players eventually are going to find their way onto Social Security and Medicare ... for that medical care,” he said. “And who pays for Medicare? You, and me and every other person — not just in California, but throughout the country.”

COMCAST

Continued from page 3

“What we saw in 2012 was the disinclination of most judges to apply parts of *Wal-Mart* to wage-and-hour class actions,” said Gerald L. Maatman, a partner with Seyfarth Shaw L.L.P. in Chicago. *Comcast* “is going to allow employers to say, ‘That’s wrong,’” he said.

The class action principles due to *Comcast* “are going to be applied in all sorts of workplace litigation running the gamut from employment discrimination to wage-and-hour litigation,” Mr. Maatman said.

However, William F. Allen, a shareholder with Littler Mendelson P.C. in Washington, said, “It’s likely to take some time for the courts to digest *Comcast* and determine how it applies to the wage-and-hour setting.”

The ruling has already had

some impact.

In its late March ruling in

Matthew Roach et al. v. T.L. Cannon Corp., dba Applebee’s et al.,

for instance, a New York federal judge denied class certification for

Comcast case focused on antitrust law

The U.S. Supreme Court’s ruling in *Comcast Corp. et al. v. Caroline Behrend et al.* focused on whether New York-based Comcast violated antitrust law in its strategy of concentrating operations in a particular region.

The plaintiffs sought to certify a class of more than 2 million current and former Comcast subscribers under the federal rules of civil procedure, which permits certification only if there are “questions of law or fact common to class members predominate over any questions affecting only individual members.”

The 3rd U.S. Circuit Court of Appeals in Philadelphia had ruled that damages could be calculated on a classwide basis, based on a model presented by an expert witness. The expert acknowledged, though, that the model did not isolate damages resulting from any one theory of antitrust impact.

In its 5-4 ruling overturning the appeals court, the Supreme Court said the appeals court refused to consider Comcast’s argument that the class was improperly certified because it said it had “not reached the stage of determining on the merits whether the methodology is a just and reasonable inference or speculative.”

By refusing to entertain Comcast’s arguments “that bore on the propriety of class certification, simply because those arguments would also be pertinent to the merit’s determination, the Court of Appeals ran afoul of our precedents requiring precisely that inquiry,” the Supreme Court ruled. “And it is clear that, under the proper standard for evaluating certification, respondent’s model falls short of establishing that damages are capable of measurement to a classwide basis.”

By Judy Greenwald

a suit challenging meal periods and how far employees’ hours are spread out.

In upholding a magistrate judge’s decision, U.S. District Court Judge Thomas J. McAvoy cited *Comcast* in ruling “that precedents require a demanding and rigorous analysis of the evidentiary proof to determine whether the prerequisites” under the federal rules of civil procedure are met.

Noting the Supreme Court’s 1993 ruling in *William Daubert et al. v. Merrell Dow Pharmaceuticals Inc.* on admitting expert scientific testimony, Mr. Braid said an unanswered question is whether the ruling in *Comcast* means there will have to be “Daubert” hearings in class certification cases.

Daubert hearings would be “basically meant to make sure that expert testimony is reliable, and will help the finder of facts understand the facts of the case and facilitate making a decision,” he said.

CAP

Continued from page 4

sponsors and IRA trustees would be required to provide to plan participants at the end of each calendar year a report on their account balances and accrued benefits, as well as contributions and benefit accruals earned that year.

It then would be up to plan participants to determine the value of their defined contribution plan accounts, expressed as a joint and 100% survivor annuity that would be payable beginning at age 62.

That amount would be added to the value of benefits plan participants have earned from defined benefit plans, which also would be expressed as joint and 100% survivor annuity payable at age 62.

If the combined value of the retirement plan benefits and contributions exceed the maximum annual benefit that can be funded through a defined benefit plan, participants could not earn additional benefits the next year nor could contributions be made to their defined contribution plan

accounts.

Benefit experts say only a small percentage of plan participants would be affected. An analysis by the Employee Benefit Research Institute looking only at 401(k) plan account balances found that well below 1% of participants would feel the effects of the retirement cap.

Such projections, though, are enormously volatile. For example, rising interest rates would significantly increase the value of a 401(k) account balance expressed as an annuity payable at age 62.

That could mean, for example, that in a year when interest rates were high, a participant might not be able to earn additional benefits or be entitled to 401(k) plan contributions.

But if interest rates were to sink, benefit accruals and contributions could resume. No adjustments, though, would be allowed for years benefits could not be earned or contributions made.

"This would really complicate things and have unintended consequences," said Kathryn Ricard, senior vice president-retirement policy with the ERISA Industry

Committee in Washington. Just the imposition of a cap, for example, might lead some people to believe they couldn't contribute to a plan when in fact they could, Ms. Ricard said.

How individuals would have the expertise to make the necessary actuarial calculations to determine if they would be affected by the cap isn't clear. And without plan participants providing information on all their retirement plan accounts, including those from prior jobs, employers would be unable to do the calculations for their employees.

"What is the problem we are trying to solve?" asked Alan Glickstein, a senior retirement consultant with Towers Watson & Co. in Dallas. He said that current law already imposes annual limits on 401(k) plan contributions and the maximum benefit that can be funded through a defined benefit plan.

Also, retirement plan benefits are taxed when received, said Lynn Dudley, senior vice president-retirement and international benefits policy at the American Benefits Council in Washington.

RENEWALS

Continued from page 4

arrival into the market of several new funds and reinsurers.

Rates for catastrophe excess-of-loss treaties in South Korea experienced increases at the April 1 renewal, as the result of a series of three typhoons that hit the country in 2012, Guy Carpenter said in a report.

While June and July are more active months for renewals of U.S. reinsurance business than April, some U.S. programs renewed at April 1, according to Mr. Flandro. U.S. property catastrophe busi-

ness that renewed on April 1 typically saw rate reductions in the "single-digit range," according to Guy Carpenter.

Those reductions were in part the result of ample capacity boosted by nontraditional capacity, Mr. Flandro said.

Nontraditional capacity now makes up about 14% of the global property catastrophe limit, according to research by Guy Carpenter.

And this benefited cedents at the April 1 renewal, Mr. Flandro said.

New capital continues to flow into the industry, according to Mike Van Slooten, head of Aon Benfield's international market

analysis team in London.

Pension funds are a particularly noteworthy source of this capital, he said.

New capital "materially altered the course of April renewals for peak U.S. perils and are expected to have a continuing material benefit for clients as we look forward to the June and July renewals," according to Aon Benfield's April 1 renewal update.

Clients that renewed "significant capacity" in the insurance-linked securities market on April 1 saw their rates for peak U.S. hurricane and earthquake risks decrease between 25% and 70%, Aon Benfield said. Hurricane season in the U.S. starts June 1.

go, speakers said cyber breaches are a particular risk for law firms, accounting firms and other such companies. They are at risk of privacy breaches as they often house many sensitive records and lack the security available to larger financial institutions such as banks, panelists said.

According to a recent Ponemon Institute L.L.C. study, the average cost per record in a data breach was \$194, said Kari A. Timm, a partner at Walker Wilcox Matousek L.L.P. in Chicago.

The average data breach involves about 28,000 records and costs an organization \$5.5 million, Ms. Timm said.

Law firm records are "definitely a target," said Regan E. Miller, associate director at insurance broker John L. Wortham & Son L.P. in Houston. "The amount of information and how accessible it could be provides a rich potential for hackers."

Ms. Timm said there's a slow uptake on cyber liability insurance as some professional firms do not consider themselves a target for hackers and breaches.

For professional firms to manage the risk, start with a comprehensive policy for employees that centers around training, said Jeremy Henley, insurance solutions executive at ID Experts Corp. in San Diego.

As a result of a breach, professional firms should exercise their response plans, which should be crafted well in advance and define specific actions should there be a data breach regardless of its size, Mr. Henley said.

"Assume it's going to happen" and try to "limit the size and severity" of the breach, Mr. Henley said.

About 690 people attended the conference. Next year's conference is scheduled for April 23-25, 2014, at the Marriott Marquis in Atlanta.

For more information, visit plusweb.org.

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PLUS

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and professional services practice leader for USI Insurance Services L.L.C. in Woburn, Mass.

"We're seeing the (EPL) marketplace increasing retentions, tightening underwriting, and looking for more information," he said, noting that he's seen rate increases of 25% to 30%.

Once the EEOC has filed a charge, companies and organizations need to report the claim immediately to their EPL insurers, the panelists said.

"It's the most consistent (reason for) denial of a claim that I have seen," said Kari Pitts, Dallas-based vice president of CRC Insurance Services Inc., during the session. "Report, report, report," she said.

Also at the April 8-10 conference held at the Hyatt Regency Chica-

BOSTON

Continued from page 1

likely would carry some form of terrorism coverage, but Mr. Murphy said he had no details of the marathon's insurance program.

There likely will not be a large insured loss in the event and promotion market, said one London-based source who asked not to be named. Uncertainty about the source of the bombings means it is too early to tell what effect, if any, they will have on the terrorism insurance market.

Unlike the cancellation of the 2012 New York Marathon because of Superstorm Sandy, the Boston Marathon bombing case is unlikely to have a big effect on the contingency and cancellation insurance markets in London, said another source who asked not to be named. Because many competitors completed the marathon before the explosives were detonated, advertisements, product placements, promotional events and merchandising had already largely taken place. That would result in limited contingency claims, the source said.

"The insurance of sports events is likely to be impacted by the Boston Marathon bombs," Gordon Woo, a catastrophist at Newark, Calif.-based Risk Management Services Inc., said in a statement.

"The shortage of terrorism insurance cover in the years after 9/11 led to the securitization of the cancellation risk of the 2006 FIFA World Cup," Mr. Woo said. "So while the property insurance loss is small, the Boston Marathon bombing may well have a significant influence on the terrorism insurance market."

While officials said the marathon bombing was the first successful terrorist attack since 2001, it likely will have little effect on the stand-

alone terrorism market, said Kelly Crouch, head of the war and terrorism team at London-based brokerage Jardine Lloyd Thompson Group P.L.C.

Still, there was no immediate rate impact or reaction from underwriters on several U.S.-based risks that JLT currently is placing, and the Boston bombing losses likely will be too small to trigger coverage under the Terrorism Risk Insurance Act, she said.

Aaron Davis, managing director at Aon Risk Solutions' property practice in New York, said while the

attack was relatively isolated in the affected area, it could nevertheless affect a variety of entities ranging from businesses to event sponsors to local and state governments.

The bombing's impact on the stand-alone terrorism markets could vary from the embedded terrorism insurance markets, Mr. Davis said. Stand-alone terrorism markets "are very robust — they've been tested on a global



VIDEO REPORT

III President Robert Hartwig discusses the insurance implications of the Boston Marathon bombings.
www.BusinessInsurance.com/video

Event could spur Congress on terror backstop

BY MARK A. HOFMANN AND SARAH VEYSEY

The Boston bombings appear unlikely to trigger the federal government's terrorism insurance backstop established by the Terrorism Risk Insurance Act of 2002.

The program, which is slated to expire at the end of 2014 unless extended by Congress, contains a complex system of triggers that must be pulled before any federal funds are disbursed.

However, experts say the attack could spur action on reauthorization.

U.S. Rep. Michael Grimm, R-N.Y., chief House sponsor of a bipartisan bill that would extend the terrorism insurance program through 2019, said an act of terrorism must be certified jointly by the secretaries of State and Treasury as well as by the U.S. attorney general, and losses must exceed \$5 million.

The federal government will share in an insurer's losses only if the industry's aggregate insured losses from certified acts of terrorism exceed \$100 million, with the amount of the government share depending on the size of uninsured losses.

In addition, each insurer is responsible for paying out a certain amount in claims — a deductible — before receiving federal coverage.

An insurer's deductible is proportionate to its size, equaling 20% of an insurer's annual direct earned premiums for TRIA-covered lines. Once the \$100 million aggregate loss threshold and 20% deductible are passed, the federal government is to cover 85% of each insurer's losses above its

deductible losses total \$100 billion. If the government incurs losses due to an act of terrorism, Treasury can recoup them by applying a surcharge to future insurance premiums.

"This event will not trigger TRIA. There's no question about that," said Robert Hartwig, president of the New York-based Insurance Information Institute Inc.

Hopefully, the bombings will help Congress understand the threat of terrorism "is real, it's here, and the act certainly needs an extension," said Mr. Hartwig, who along with his wife, was at the marathon to see his son cross the finish line, which happened before the attack.

"From a TRIA perspective, it's certainly a wake-up call," said Aaron Davis, managing director at Aon Risk Solutions' property practice in New York. "It remains to be seen" whether this will be considered a certified terrorist event under the federal program, he said.

"As an untested backstop and product, I think there are a lot more questions than answers," he said.

"That was always going to be a hard sell, getting our lawmakers to renew that," said Howard Mills., director and chief adviser at the insurance industry group at Deloitte & Touche USA L.L.P. in New York. "This obviously may change that."

The events in Boston likely will make those involved in discussions about the future of TRIA "more sensitive to the potential" for terrorist attacks on U.S. soil, said Mike Nelson, chairman of law firm Nelson Levine de Luca & Hamilton L.L.C. in New York.

basis," he said. But he said there is no experience with paying claims on embedded coverage backed by the federal terrorism insurance backstop.

More common coverage also is likely to come into play, said Philip J. Edmundson, president and CEO of Boston-based William Gallagher

Associates Insurance Brokers Inc., which is headquartered about a mile from the site of the bombings.

He said that the area affected by the blasts is relatively small, so the impact differs from a hurricane or other major natural disaster. Nonetheless, he said he expects there will be business interruption

and property damage claims.

Like other brokers and insurers with operations in Boston, Mr. Edmundson said employee safety became paramount during the mayhem that broke out after the bombings. "We shut down our office about an hour after we heard the news," he said.

MANAGEMENT

Continued from page 1

Bennett, partner at law firm Cozen O'Connor in Philadelphia. "What was targeted here was a place where people gather."

Several risk managers whose responsibilities include gatherings that many expect to be affected by the Boston Marathon bombings said security measures already are employed at events, though many acknowledged heightened awareness after last week's events.

"We're very much like the stick-and-ball sports. We're in an enclosed area. People are searched before they're allowed entry," said David A. Holcombe, director of risk management for NASCAR and International Speedway Corp.

"There are some things that we already do. We already bring a bomb dog through our venues when we're having large events," said Christine L. Eick, executive director of risk management and safety at Auburn University. "We do shut down and lock down certain areas prior to an event."

Virginia Beach, Va., hosts various events and festivals each year, including the Shamrock Marathon in March and the American Music Festival, a three-day event over Labor Day weekend that draws 75,000. "A marathon is not 26.2 miles of a route you're trying to protect," said John Grook, Virginia Beach's risk management administrator. "It's actually double that because you have both sides of the street." He said there will be "brainstorming" before next year's event, but said some changes wouldn't be possible. For example, given the gear that runners bring to races, "It would be virtually impossible to ban backpacks or bags," Mr. Grook said.

Amy Larson, risk and litigation manager of Bloomington, Minn., said, "I think you're going to be looking at these things on a case-by-case basis." Bloomington holds an annual Summer Fete festival that culminates with a July 3 fireworks show, but Ms. Larson isn't sure whether there will be security changes. "I don't know that they've talked about searching people's purses or anything like that. That's always a possibility. You see that

when you go to a concert or to a ball game, you have to open up your purse," she said. "I don't think that's going to go away."

James Chippendale, executive vice president of Doodson Insurance Brokerage L.L.C. in Dallas, works with major music festivals on their risk management and insurance programs. Most such events already have been considering terrorism in their risk management plans, he said.

From the 2003 Rhode Island nightclub fire that killed 100 through events such as stage collapses and other tragedies, there has been "an evolution of increased risk management and risk awareness of all parties" involved in staging music events and addressing the risks, Mr. Chippendale said. "It's all a trend of making events safer and insurance companies getting more involved in the procedures."

The Boston Marathon bombings will likely lead to even more intense underwriting by insurers, rather than higher insurance prices or reduced capacity, Mr. Chippendale said. "There may be other issues with capacity with the con-

tingency market and the cancellation market," he said. "I see a number of events — sport, others — taking a good look at cancellation and terrorism cancellation policies."

Sporting events have long been considered potential terrorism targets, said Duncan Fraser, a partner in the events team at Jardine Lloyd Thompson Group P.L.C. in London. As such, large sporting events typically purchase cancellation cover, he said.

John N. Ellison, partner at Reed Smith L.L.P. in Philadelphia, said the shutdown of large sections of the Boston area by law enforcement officials likely could lead to business interruption and contingent business interruption claims. Terrorism exclusions could be an issue for some policyholders, he said.

"The contingent business interruption coverages differ from policy to policy. Some are more restrictive than others," said Richard M. Mackowsky, a partner at Cozen O'Connor in Philadelphia. "Many of the businesses would have terrorism coverage."

"What we're saying is there is going to be an element of coverage

there. It will most likely fall under civil authority or ingress/egress," said Duncan Ellis, U.S. property practice leader at Marsh Inc. in New York.

Regarding the business interruption effect of Friday's shutdown of Boston after local officials requested residents shelter in place, Mr. Ellis said he thinks an argument could be made that the shutdown is an extension of an event that began with Monday's bombing, though some insurers would likely disagree.

Attempts to obtain insurance coverage information from the Boston Athletic Association, which hosts the Boston Marathon, were unsuccessful.

Howard Mills, director and chief adviser in the insurance industry group at Deloitte L.L.P. in New York, said the takeup of terrorism coverage by businesses has declined in recent years. "I think, obviously, now the takeup level will increase. Certainly it will be required for any event where people gather in large numbers."

Sarah Veysey in London contributed to this article.

Hub International could be sold for \$2 billion: Sources

■ Buyout firm Apax Partners and Morgan Stanley's private equity arm are exploring a sale of insurance brokerage Hub International Ltd. that could be valued at around \$2 billion, two people familiar with the matter said this month. The potential sale of Hub would come six years after Apax and Morgan Stanley Principal Investments took the company private for \$1.8 billion, including \$145 million of debt.

Reuters

AIG files to block Greenberg suit over insurer's federal bailout

■ Insurer American International Group Inc. has asked a court to block Maurice R. Greenberg's efforts to sue the U.S. government on AIG's behalf, saying its former CEO has not proved he should have the right to do so. Earlier this year, AIG drew sharp criticism from members of Congress and an outraged public when the firm considered the possibility of joining Mr. Greenberg's lawsuit, which challenges the terms of the insurer's \$182.3 billion bailout by the federal government in 2008. AIG said Mr. Greenberg had forced its hand in even deliberating the prospect, but that ultimately it did not want to sue anyway amid a public backlash.

Reuters

Commercial insurance prices to trend upward through 2013

■ Buyers of commercial insurance can expect moderate upward pressure on rates throughout the year, according to an analysis by Willis

Group Holdings P.L.C. Willis said the "range of anticipated increases is moving slightly higher for most key product lines, although commercial property rates for noncatastrophe-exposed risks and some specialty lines may see slight reductions."

Investor demand boosts growth of securitization

■ Strong investor demand is spurring continued growth in the market for insurance-linked securities, according to a report released by Aon Benfield Securities, the investment banking division of Aon Benfield. The report notes that at the end of 2012, the amount of total catastrophe bonds outstanding reached a record \$16.54 billion. Three closed during the first quarter of 2013, the largest being Caelus Re 2013 Ltd. with a \$270 million capacity for U.S. hurricane and earthquake exposures.

Atlantic hurricane season expected to be active in 2013

■ U.S. businesses and residents should expect an active Atlantic hurricane season in 2013, said researchers from the Tropical Meteorology Project at Colorado State University. The closely watched report projects 18 named storms for 2013, compared with an average of 12 named storms a year for the years 1981-2010.

Workers comp opt-out bill advances in Oklahoma

■ Legislation allowing Oklahoma employers to opt out of the state's workers compensation system advanced, with supporters predicting adop-

tion. S.B. 1062 cleared the Oklahoma House Judiciary Committee on a party lines vote. The bill now goes to the Oklahoma House of Representatives' Calendar Committee to decide on whether a full House hearing is appropriate.

N.Y. judge approves \$115M AIG shareholder settlement

■ A federal judge approved a \$115 million settlement between American International Group Inc. shareholders and former CEO Maurice R. Greenberg and other defendants over alleged improper accounting at the insurance giant. The accord is the latest in a string of settlements to spill out of class action securities fraud litigation tied to practices at the insurer dating to 1999. In total, \$937.5 million in settlements have been approved with defendants, including AIG. U.S. District Judge Deborah Batts in Manhattan gave final approval to the pact at a court hearing, calling it "fair, reasonable and adequate."

Reuters

Massachusetts health exchange hits record-high enrollment

■ Enrollment in Massachusetts' health insurance exchange has hit an all-time high. In March, 201,178 state residents were enrolled in Commonwealth Care, the program created by Massachusetts' pioneering 2006 health care reform law to provide subsidized coverage to the lower-income uninsured. March enrollment was 2,900 higher than in February, and nearly 28,000 higher compared with enrollment in March 2012. Commonwealth Care is available to uninsured state residents with incomes that are less than 300% of the federal poverty level.

MANAGED CARE

Continued from page 1

fees, underutilization also slows claims resolutions, increasing overall costs, said Judie Tsanopoulos, director of workers comp and loss control for Orange, Calif.-based St. Joseph Health System.

It is more common for her to prompt her TPA claims adjusters to call in nurse case managers than to question the service's overuse, Ms. Tsanopoulos said.

"They are trying to be good stewards of my dollar," she said. "But I remind them my case costs are lower when field case management is warranted than when a field case management nurse is not involved."

Ms. Tsanopoulos, however, unbundles the managed care products she buys, purchasing them separately from her contract for third-party claims administration services.

The excessive application of managed care can arise when employers purchase the services from a managed care company or through their TPA, who may either contract for them or provide them through in-house resources, Mr. Donn said.

Knowing that nurse case man-

agers are readily available, an adjuster may call for them more often than is necessary to lighten their heavy workload by handing off certain responsibilities to someone else, Mr. Donn said.

And there is a system bias for adding the services to more claims than necessary because it generates additional revenue for TPAs and managed care companies, Mr. Donn said.

Managed care fees paid by employers are "one of the single biggest items in the total cost of a claim," Mr. Donn said.

Revenue derived from managed care products can provide an incentive for services companies to utilize them when they may not improve outcomes, agreed Charles F. Martin, U.S. casualty operations consulting practice leader for Marsh Risk Consulting in Norwalk, Conn.

"TPAs and carriers make more money on managed care than they do on the claims service fees," he said. "The money is in the managed care."

Properly applied, however, managed care improves claims outcomes, he added. For example, properly applied nurse case management can reduce an employer's claims expense by 10% on average, Mr. Martin said.

But that requires workers comp

payers to evaluate claims to determine whether that 10% savings will justify the costs of a nurse case manager on a particular claim, Mr. Martin said.

In contrast to that strategy, Mr. Martin said he knows of a large employer client swayed by a managed care company to contract for 12 full-time nurses, costing \$172,000 each for a total of more than \$2 million per year.

"They put managed care on everything as opposed to figuring out which cases will get the best return on investment from it," Mr. Martin said.

Eliminating over-utilization requires client plan design coupled with service provider instructions detailing the specific claims circumstances that are to trigger managed care intervention, Mr. Donn added.

Establishing parameters with criteria that pre-determine when managed care is to be applied to a claim is vital for reducing over- and underutilization, agrees Veronica Cressman, vice president of medical programs in Denver for third-party administrator ESIS Inc.

"We call it targeted utilization," Ms. Cressman said. To that end, ESIS analyzed years of claims data to learn when cases will benefit from managed care.

The TPA also provides its adjusters and nurses with policies listing specific expectations for their management of claims, including requirements for documenting their objectives, Ms. Cressman said. Those are followed up with staff meetings to review adherence to time parameters for resolving claims.

"We don't want the nurse on it open-ended without specific goals and objectives," she said.

Other ESIS measures include audits to determine whether adjusters and nurses are appropriately responding to established triggers for implementing managed care services and outcomes reports analyzed to learn whether the services are reducing expenses.

Broadspire Services Inc.'s measures for ensuring the appropriate use of managed care include data analytics and an "e-triage" tool or series of questions its adjusters ask claimants, said Candy Raphan, director medical services for the Atlanta-based TPA.

The questions were developed using internationally recognized medical, economic, and psychosocial data, Ms. Raphan said.

"A lot of research has gone into developing the questions," she said.

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Fraudster bagged after phony purse theft

When creating fake jewelry store receipts, make sure the store existed on the date printed on the receipts.

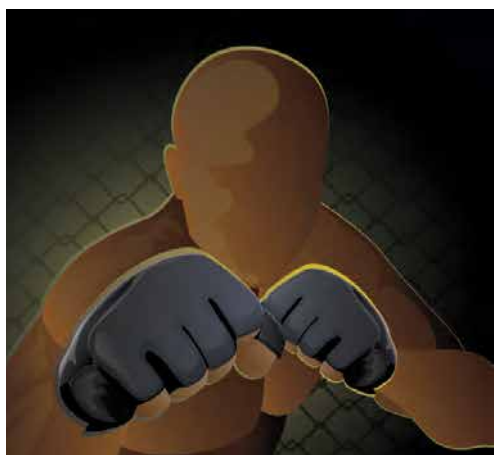
That's a lesson a woman accused of filing a false insurance claim is likely to have time to mull over, if she is convicted and sent to prison.

According to the Delaware County Daily Times, Latrell Taylor, 38, in July reported to police that her father's car had been stolen and contained a Louis Vuitton purse filled with more than \$116,000 in diamond jewelry, an iPad and expensive sunglasses.

She said the 2004 Lexus SUV was stolen while she and her sister watched Fourth of July fireworks in Chester, Pa.

But investigators discovered the receipts she provided about the missing jewelry were dated 2008 and 2009, but the Philadelphia jeweler did not open for business until March 2011.

Ms. Taylor was charged with filing a false insurance claim and other felonies.



SHUTTERSTOCK/GRAPHICGEOFF

MMA contender taps out on comp

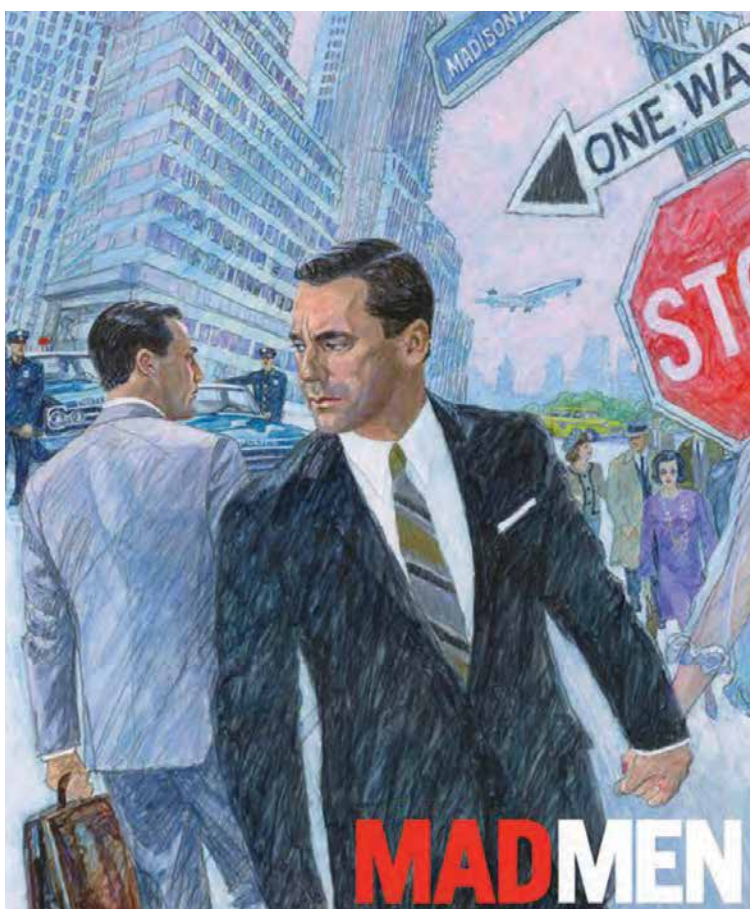
A Canadian has pleaded guilty to participating in mixed martial arts events, while he was to be recovering from a work-related back injury.

Shawn Gregory Pauliuk pleaded guilty in a Saskatoon, Saskatchewan, provincial court recently, agreeing to repay more than \$20,000 in fraudulently collected compensation, according to a report by the Regina Leader-Post.

Mr. Pauliuk filed a claim with the Saskatchewan Workers' Compensation Board in October 2008 for lost wages due to a back injury he had allegedly sustained while unloading a truck. The WBC reimbursed Mr. Pauliuk for the lost time from November 2008 until June 2009, when the agency discovered evidence that he had been participating in MMA fights while supposedly injured, according to the Leader-Post. In total, Mr. Pauliuk collected \$20,596 in compensation.

According to his profile on Tapology.com, Mr. Pauliuk was 0-5 in his professional MMA career and was knocked out in his last bout.

NATIONWIDE, MAD MEN ON THE SAME SIDE IN TV SERIES AD DEAL



COURTESY OF AMC

Nationwide Mutual Insurance Co.'s real-life creatives are working with television drama "Mad Men" on a special advertisement. Columbus, Ohio-based Nationwide has made a deal with cable network AMC Network Entertainment L.L.C. for a seasonlong sponsorship of its "Mad Men" television series valued at \$2 million to \$2.5 million, according to The New York Times.

The deal includes a special commercial styled as a vignette that features Nationwide Chief Marketing Officer Matt Jauchius discussing the insurer's advertising history, according to the newspaper.

In the commercial, Mr. Jauchius references a memo written by the insurer's advertising agency in 1964 that suggested possible replacements for its slogan at the time, "In service with people."

That slogan had been used since the founding of the company in 1926, Mr. Jauchius told the Times.

From seven possible suggestions in the memo, Nationwide executives at the time came up with, "The man from Nationwide is on your side," to reflect that its products are distributed through agents.

"I thought how perfectly 'Mad Men'-ish that line is," Scott Collins, executive vice president for advertising sales at AMC told the newspaper, referring to the show's theme of unequal treatment of the sexes in the 1960s.

The commercial is set to air June 16.

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SHUTTERSTOCK/ORANGE LINE MEDIA

Brown & Brown takes work in stride

Insurance broker Brown & Brown Inc. hopes to make great strides toward improving employee wellness via the introduction of TreadDesks in its Indianapolis office.

When members of Brown & Brown's wellness committee started talking about installing TreadDesk, a workstation equipped with a treadmill rather than a chair, they thought only a few employees would use it. Instead, employees have lined up to take their turn checking email and performing other tasks while walking, rather than sitting.

Because of the TreadDesk's popularity, the broker plans to add more, with the ultimate goal of lowering employee health care costs, employee Meredith Sharp said in a televised interview.

"We thought the more we could get people to move, the better they would feel," she said. "With declining health rates in Indiana, we found that to increase the employees' activity, it would be a good idea to bring these machines into our office. We wanted to combat sedentary lifestyles here at work, and we'll see that bleed into our employees' lives."

Fishers, Ind.-based TreadDesk Inc. makes the treadmill/desk combination.

U.K. man takes big risks in big cars

A British man has an obsession with big cars he can't be bothered to insure, and there is apparently little that can be done to stop him.

According to a news report, Peter Owens, 43, was caught driving five uninsured high-powered four-wheel-drive cars five times during a seven-month period last year.

He has pleaded guilty to having no insurance, failing to produce a license, having no license, failing to produce documents and — just for good measure — poaching.

While local judges have now banned Mr. Owens from driving for three years, they say they lack the power to jail him for lack of insurance.

A judge has told Mr. Owens, "We did consider the most serious sentencing we could impose, a curfew, and we even considered custody.

"Unfortunately, our guidelines don't enable us to do that. The offenses don't carry custodial or curfew sentences," the judge told the man.

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Michael D. Horvath SIMON PROPERTY GROUP INC. **P28**

Chad C. Jackson FEDEX CORP. **P34**

Dennis G. Royer AUTONATION INC. **P40**

SEPTEMBER 5TH, 1:45 A.M.

A DEADLINE AND A BUSINESS LIFELINE

IN AN INSTANT,
DOUG HOLT
REMEMBERS
WHY HE TRUSTS
HIS AGENT

Doug wakes up wondering if that fire at his supplier's facility might also send his own future up in smoke. It's also the instant he remembers his property coverage, underwritten by CNA, and that if he needs to file a claim, they'll make it as painless as possible. Sleep tight, Doug.

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CNA

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**Join Business Insurance on July 23, 2013
in New York City for the first of five regional
networking event to celebrate the
regional broker honorees**

2013
BUSINESS INSURANCE®
FORTY40
UNDER
REGIONAL BROKER LEADERS

REGIONAL EVENTS

NORTHEAST

May 24th close date for nominations

NYC Event

July 23 • 5:00 pm – 7:00 pm
Craftbar, 900 Broadway, NY, NY

WEST

June 14th close date for nominations

Los Angeles Event

September 10 • 6:00 pm – 8:00 pm
Cecconi's, 8764 Melrose Avenue
West Hollywood, CA 90069

SOUTHWEST

July 8th close date for nominations

Dallas Event

September 24 • 6:00 pm – 8:00 pm

SOUTHEAST

July 29th close date for nominations

Atlanta Event

October 2 • 6:00 pm – 8:00 pm
Peasant Bistro, Atlanta, GA

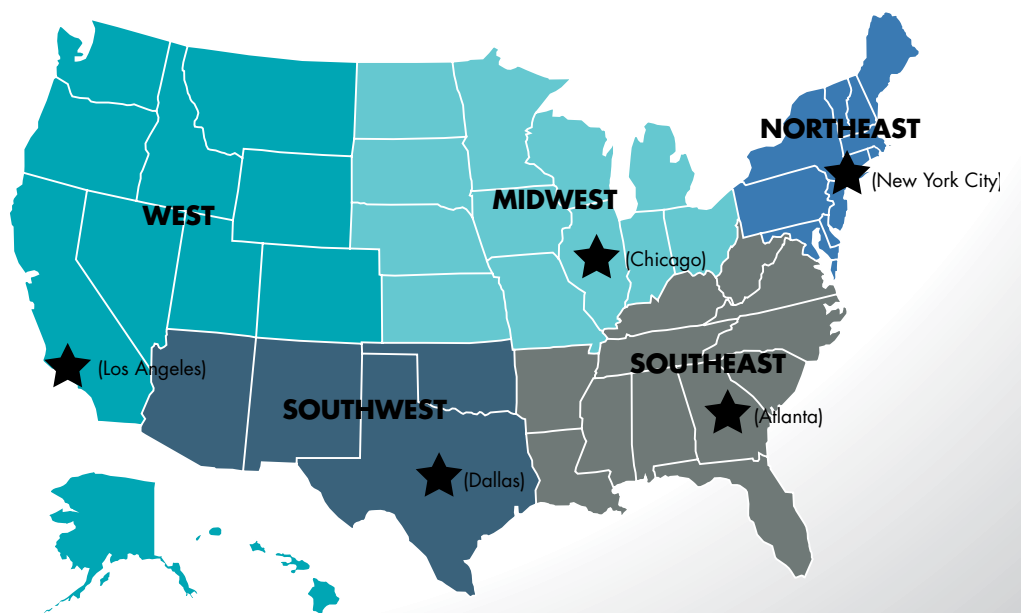
MIDWEST

August 16th close date for nominations

Chicago Event

October 8 • 6:00 pm – 8:00 pm
Fulton's on the River, Chicago, IL

Don't miss this chance to network and enjoy an evening out with your friends and colleagues. Representatives from Business Insurance magazine will be in attendance along with a *Business Insurance* Channel Editor who will be speak on the latest trends and issues, and present the Northeast Regional Broker Awards.



**Visit www.BusinessInsurance.com/40Under40
to obtain your 40 Under 40 Nomination Form
today!**

About the Awards: After a thorough review by a panel of senior editors at Business Insurance, who will consider various criteria, including recent professional achievements, influence on the marketplace and contributions to their community, eight (8) Brokers will be identified in each region, and the results will be announced on-line prior to the event date for each region – and a compilation of all 40 of the award winners will be in the Oct. 7, 2013 issue of Business Insurance. Honorees are selected from nominations submitted by readers of Business Insurance, and they must be age 40 or under at the time of their nomination.

Presented by:

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