

**LAWMAKER RENEWS EFFORT TO PASS 401(k) FEE DISCLOSURE MEASURE / PAGE 3**

**PRESENTEEISM COSTS EXCEED PRODUCTIVITY LOSSES FROM ABSENT WORKERS / PAGE 3**

**EUROPEAN CAPTIVE OWNERS WARY OF NEW CAPITAL RULES IN SOLVENCY II / PAGE 3**

## In Brief

### Allianz cat bond covers U.S. risks

Allianz S.E. has issued a \$180 million catastrophe bond to cover the risk of losses from U.S. hurricanes and earthquakes. The securities, redeemable in April 2012, were issued in U.S. dollars through special-purpose vehicle Blue Fin Ltd. and offer investors a coupon of 13.5% above the three-month London interbank offered rate. The offering was increased from its original size of \$150 million. It is the third cat bond Allianz has offered since 2007 and the second through Blue Fin. It is rated BB- by Standard & Poor's Corp.

### Baucus, Kennedy pledge action on health reform

The chairmen of two Senate committees with jurisdiction over health care reform legislation pledged last week to begin action

See **IN BRIEF** page 21

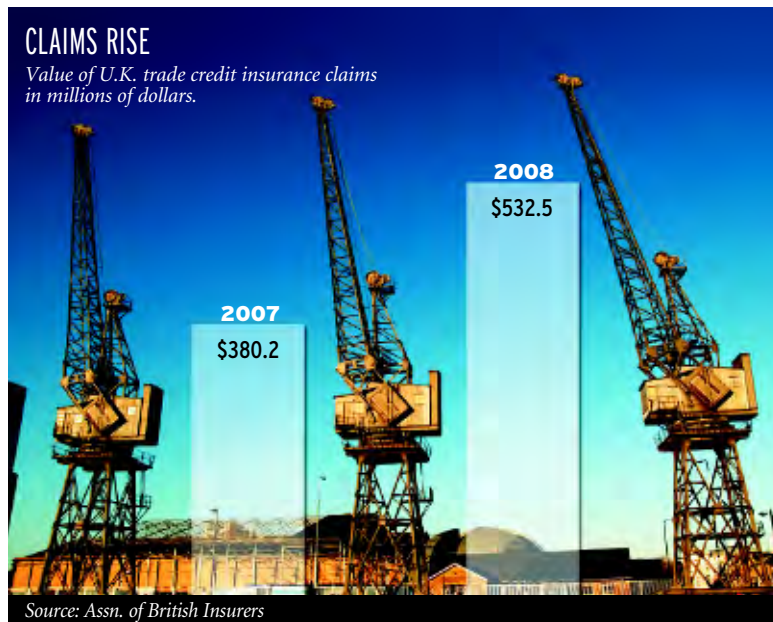
## SPOTLIGHT

### RIMS CONFERENCE: NEWS

Leadership at RIMS strives to connect with members facing challenges in tough economy; Maurice R. Greenberg sees more difficult times ahead for insurance industry;



RIMS salutes outstanding risk managers, RIMS chapters with annual awards; plus coverage of sessions from the annual conference. **PAGE 10**



## European governments cover trade credit risks

By SARAH VEYSEY

**LONDON**—The United Kingdom last week became the latest European country to propose a government-backed program to provide top-up credit insurance for policyholders facing a capacity shortage in the commercial market.

Policyholders across Europe have expressed concern that, as a result of the financial crisis, there is insufficient credit insurance capacity as insurers have withdrawn capacity in response to rising claims.

The coverage is widely bought in Europe, particularly by retail companies and their suppliers, and often such coverage is a prerequisite of bank financing.

In a long-awaited move, U.K. Finance Minister Alistair Darling last week announced the U.K. government would, for a limited period, provide top-up credit insurance cover where policyholders' limits have been reduced.

Earlier in the week, the European Commission authorized an export-credit insurance plan in Luxembourg.

Under that plan, which will be in

effect until Dec. 31, 2010, the government-backed export credit agency, Dueroire Luxembourg, will provide buyers with higher limits than those offered by commercial credit insurers where there is evidence that credit insurers have reduced their limits.

Last December, France became the first major European country to react to the capacity shortage by offering a state-backed credit insurance top-up. State-backed reinsurer Caisse Centrale de Reassurance began offering coverage to credit insurers that wanted to reduce the coverage limits on contracts signed after Oct. 1. Under the plan, the reinsurer assumed some of the risk and premiums written by participating insurers.

Last month, the Spanish state-backed reinsurer, Consorcio de Compensacion de Seguros, and Spain's insurance association, Asociacion Empresarial del Seguro, put forward a proposal under which a group of reinsurers would offer credit reinsurance, which credit insurers have said they have found difficult to buy on the commercial market.

See **CREDIT** page 21

## AIG speeds up plan for P/C unit spinoff

Separation from parent seen as step forward

By JUDY GREENWALD

**NEW YORK**—American International Group Inc.'s plan to accelerate the spinoff of its property/casualty lines into a special-purpose vehicle makes sense in light of efforts to separate this business from the tainted AIG brand and stanch the flow of employees and business from the operation, observers say.



AIG said last week it will spin off AIU Holdings Inc. and AIU Holdings L.L.C. into an SPV in preparation for the possible sale of a minority stake in the business.

The move represents an accelera-

tion of a plan announced March 2 that ultimately may include a public share offering for the unit. Under the plan, AIU Holdings—which will have its own board of directors, management team and a brand distinct from AIG—will serve as the holding company for AIG's commercial insurance, foreign general insurance and Private Client Group personal lines units.

Under the SPV arrangement, AIG said it plans to contribute AIU Holdings' equity into the SPV in exchange for preferred and com-

See **AIG** page 19

## Hartford may turn to sale of P/C operations

Struggling life units seen as drag on results of combined company

By JUDY GREENWALD

**HARTFORD, Conn.**—Hartford Financial Services Group Inc.'s failure so far to sell its troubled life insurance operations may instead force the company to sell its profitable property/casualty business, analysts say.

Reports emerged last week that Hartford was seeking a buyer for its property/casualty operations, with companies such as Travelers Cos., ACE Ltd., MetLife Inc. and Munich Reinsurance Co. named as possible buyers. In addition, Reuters reported that Hartford had retained Goldman Sachs & Co. to assist in the sale process. Representatives of those companies had no comment or could not be reached for comment. Last month, reports said Hartford was negotiating to sell most of its life operations to Toronto-based Sun Life Financial Inc., but no such

### LIFE VS. PROPERTY/CASUALTY

Hartford P/C and life results for 2008

**Property/casualty**  
WRITTEN PREMIUMS: \$10.23 billion  
NET INCOME: \$92.0 million

**Life**  
TOTAL REVENUES: \$(1.15 billion)  
NET INCOME: \$(2.44 billion)



deal has been announced. Falling equity values have hit the life operations' investments and its variable annuity business. Despite a \$2.5 billion capital infusion in

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## On the Web

### RIMS 2009

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# 401(k) fee disclosure bill introduced in House

By JERRY GEISEL

**WASHINGTON**—Federal legislators are making a renewed push to require greater transparency of fees charged against 401(k) accounts.

House Education and Labor Committee Chairman Rep. George Miller, D-Calif., last week introduced legislation similar to a bill his committee approved last year that would increase fee disclosure and mandate that 401(k) plans offer at least one low-cost market index fund.

The measure, H.R. 1984, would impose new disclosure requirements on 401(k) service providers, such as mutual funds, and employers.

Service providers would have to disclose to employers all fees assessed against a participant's account, with those fees broken



AP PHOTO

**Rep. Rob Andrews, D-N.J., said last week that 401(k) participants should be able to keep every possible dollar.**

down into four categories: administrative, investment management, transaction and other fees. That would change the practice of some service providers, especially mutual

funds, that include fees such as recordkeeping in the expense ratio of the investment funds they provide.

"In the current environment, there is not always adequate transparency," said Charles Yovino, a principal with PricewaterhouseCoopers L.L.P. in Atlanta.

In addition, prior to enrolling in a 401(k) plan, the legislation would require that participants would have to receive "clear and understandable" information on historical returns and all fees assessed on each investment option.

Additionally, the proposal would mandate quarterly statements be provided to participants that detail contributions, earnings, account balances and all fees taken out of their accounts.

At a hearing on the bill last week

by the House Health, Employment, Labor and Pensions subcommittee, witnesses said increased disclosure of fees likely will lead to greater competition among service providers and, ultimately, greater retirement income available to plan participants.

In fact, consultants cited situations in which negotiations with service providers resulted in breaking out fees and lower costs.

"In our work with large employers, Hewitt finds that detailed and uniform fee comparisons across different types of service providers often result in lower, negotiated fees," Alison Borland, retirement strategy leader with Hewitt Associates Inc. in Lincolnshire, Ill., testified before the committee.

See **401(K)** page 6

## Unhealthy employees cut productivity: Study

*Costs of presenteeism prove greater drain than worker absence*

By JOANNE WOJCIK

Poor health among U.S. workers costs employers much more than many realize in reduced productivity, according to a multiyear study of 10 employers and more than 150,000 workers.

The study, published this month in the *Journal of Occupational and Environmental Medicine*, found that presenteeism—when employees are present at their jobs but unable to perform at full capacity—creates a greater drain on company productivity than employee absence, a finding that may come as a surprise to many employers, researchers say.

For every dollar spent on medical costs and pharmaceuticals, there is \$2.30 of health-related productivity losses due to absenteeism and presenteeism, according to the study. For certain conditions, such as anxiety, employers lose as much as \$20 in productivity for every dollar they spend on medical care and pharmaceuticals.

The study, which researchers said is one of the largest to date on the subject, found that when medical and prescription drug costs are considered alone, the top five conditions driving employer health care costs are cancer, back/neck pain, coronary heart disease, chronic pain and high cholesterol.

However, when medical and drug costs and productivity losses are factored into the equation, the five costliest conditions for employers

are depression, obesity, arthritis, back/neck pain and anxiety, researchers say.

"The key thing is that, so often, employers have been focused on medical and pharmacy claims costs, but that really is not the full impact of poor health on the workplace," said Dr. Pamela A Hymel, senior director of integrated health and corporate medical director at San Jose, Calif.-based Cisco Systems Inc., one of the companies that participated in the study.

"I hope that employers really seize the moment" and use this study to address health-related productivity costs beyond medical and pharmacy costs, she said.

Mary Tavarozzi, principal and national practice leader, absence and disability management consulting, at Towers Perrin in Tampa, Fla., said the study should be especially useful in today's economy. She said it may benefit managers seeking commitments from upper management to implement or maintain health

management programs that address employee productivity.

"In these very lean times, where organizations have cut staff, can we afford not to look at the impact on productivity? Everybody who's still working has to be as close to 100% productive as possible," said Ms. Tavarozzi, who was not involved in the study.

Moreover, the size of the population that was studied should give it more credibility, said Shelly Wolff, national practice leader of health and productivity at Watson Wyatt Worldwide in Stamford, Conn., who also was not involved in the study.

**\$2.30**

THE AMOUNT OF health-related productivity losses due to absenteeism and presenteeism for every dollar spent on medical costs and pharmaceuticals.

See **HEALTH** page 18



### TIMELINE OF ACTION

Major actions remaining to implement the Solvency II directive in 2012

- The Committee of European Insurance and Occupational Pensions Supervisors will continue consulting with interested parties on implementation measures.
- CEIOPS to issue more advice on Level 2 implementation measures in July and this fall.
- Consultation begins this fall on Level 3 implementation measures.
- The European Parliament will scrutinize and then vote on Level 2 implementing measures.
- Guidance on Level 3 implementing measures is to be finalized in 2011.
- Solvency II to go into effect in October 2012.

Source: Committee of European Insurance and Occupational Pensions Supervisors

## Captive owners leery as Solvency II nears

*European Parliament adopts framework for risk-based capital*

By ADRIAN LADBURY and SARAH VEYSEY

**STRASBOURG, France**—Solvency II, the proposed risk-based capital regulatory regime for insurers in Europe, moved one step closer to implementation last week when the European Parliament adopted the framework directive.

But while industry players welcomed the development, some European insurance buyers remain concerned about how the directive slated for implementation in October 2012 may affect their captives.

The E.U.'s Economic & Financial Affairs Council of Ministers is to take its vote May 5 on the draft directive, another step in the lengthy process (see box).

Following European Parliament

adoption last week by a wide margin, Michaela Koller, director general of the Brussels, Belgium-based Comité Européen des Assurances, which represents insurers and reinsurers in Europe, welcomed the action.

She said Solvency II would be a "great leap forward" for the regulation of insurance and reinsurance in Europe.

The CEA will continue to help companies prepare for the new rules, Ms. Koller said.

In particular, it will work with the Committee of European Insurance and Occupational Pensions Supervisors on specifics of the so-called Level 2 implementation measures, she said.

The CEA will consult with its members on the topic throughout the year, Ms. Koller said.

"The devil will inevitably be in these details and companies need to follow the work of CEIOPS in this area closely, and contribute where

See **SOLVENCY II** page 21

# Suitor battle seen rekindling consolidation in Bermuda

*Tight credit market likely to limit M&A, however, some say*

By COLLEEN MCCARTHY

Dueling bids for reinsurer IPC Holdings Ltd. likely signals further consolidation in the Bermuda market, but experts say tight credit conditions continue to limit prospects of mergers and acquisitions in the wider property/casualty industry.

In addition, only companies with the strongest balance sheets that are able to raise capital can take advantage of American International Group Inc.'s asset sales and other financially challenged publicly traded insurers, experts say.

"There are some opportunities to acquire a company under stress right now. Everyone's share price is low, but we just don't have a lot of buyers because of the credit markets," said John Andre, group vp at A.M. Best Co. Inc. in Oldwick, N.J. "We are not expecting any significant uptick in activity until the capital markets ease up."

The pool of potential buyers "is bifurcated between those companies with strong balance sheets and those who have suffered significant losses," said Damien Magarelli, a director at Standard & Poor's Corp. in New York.

Mr. Magarelli said there is the possibility of some deals, "by select insurers that want to take advantage of firming rates and expand their distribution, but overall, there

**'Everyone's share price is low, but we just don't have a lot of buyers because of the credit markets.'**

John Andre, A.M. Best Co. Inc.

are not a lot of companies with strong capital positions that can go out and pay a premium in this environment."

Financial market conditions have curbed consolidation in the property/casualty industry since last summer. Observers point to Boston-

based Liberty Mutual Group's \$6.2 billion purchase of Seattle-based SAFECO Corp. completed last September, and Tokio Marine Holding's Inc.'s \$4.7 billion acquisition of Bala Cynwyd, Pa.-based Philadelphia Consolidated Holding Corp. completed last November, as the last significant deals prior to the credit crunch.

The industry also is seeing acquisition activity as a result of AIG's restructuring efforts, but AIG asset sales represent unique situations "that very few companies will be able to take advantage of," Mr. Andre said. In January, AIG sold its HSB Group Inc. subsidiary to German insurer Munich Reinsurance Co. for \$742 million, far less than the \$1.2 billion AIG paid for HSB in 2000. In mid-April, AIG agreed to

sell its Wilmington, Del.-based 21st Century Insurance Group personal automobile insurance unit to Zurich Financial Services Group's Farmers Group Inc. subsidiary for \$1.9 billion in cash and capital notes.

Instead of acquisitions, several observers predict an increase in renewal rights deals, which would enable insurers to acquire premiums without purchasing reserve risk and other liabilities.

Despite the economy and tight credit, competing takeover bids for Hamilton, Bermuda-based property catastrophe reinsurer IPC may indicate a bright spot in M&As and several observers say more consolidation in Bermuda is likely.

See **M&As** page 18



Rubble remains inside Santa Maria of Collemaggio Basilica in L'Aquila, Italy, a 15th century structure, a week after a major earthquake struck the region.

## Shoddy construction faulted in deadly quake

*Date to comply with stricter construction code may be moved*

By MICHAEL BRADFORD

**L'AQUILA, Italy**—L'Aquila's public prosecutor is investigating whether builders turned a blind eye to construction requirements in the Abruzzo region, leaving residents vulnerable in the earthquake that claimed nearly 300 lives and injured more than 1,000.

The magnitude 6.3 earthquake that struck the Abruzzo region April 6 destroyed or damaged about 15,000 buildings and left tens of thousands homeless. The Italian government has estimated rebuilding will cost about €12 billion (\$15.65 billion).

Insurers are expected to cover around €2 billion (\$2.61 billion) to €3 billion (\$3.92 billion) of the damage, according to Boston-based catastrophe modeler AIR Worldwide Corp.

Earthquake insurance is widely available for commercial buyers, but Italian insurers typically exclude the coverage for personal lines policyholders.

Apart from insurance, the European Union has said it expects the Italian government to apply for restoration aid that could come from a €1 billion (\$1.3 billion) fund established to help with damages from flooding in the Czech Republic and Germany in 2002. And, the Italian government has authorized emergency aid of at least €100 million (\$130.4 million).

As the rubble was cleared, debate stirred over whether the toll may have been made worse by shoddy construction. Alfredo Rossini, L'Aquila's public prosecutor, has launched an investigation into whether construction codes were violated and said arrests of those who might be responsible for unsafe buildings are likely.

Experts say it is likely that building code violations will be found,

See **QUAKE** page 20

## Policyholder wins blackout coverage

By JOANNE WOJCIK

**TRENTON, N.J.**—A group of supermarkets has won coverage for food spoilage that occurred when a 2003 power grid failure left most of the northeastern United States and eastern Canada without electricity for four days.

A three-judge panel of the Superior Court of New Jersey Appellate Division ruled last week that the blackout caused property damage to the affected utilities, thereby triggering coverage under an all-risks property policy extension that Wakefern Food Corp. had purchased from Liberty Mutual Fire Insurance Co.

Keasbey, N.J.-based Wakefern, a retailer-owned U.S. cooperative, operates nearly 290 ShopRite stores.

"A 'Services Away from Covered Location Coverage Extension' extended coverage for consequential loss or damage resulting from an interruption of electrical power to plaintiffs' supermarkets where that interruption is caused by physical damage to specified electrical equipment and property located



A 2003 power failure darkened most of the U.S. Northeast for four days.

away from the supermarkets," the appellate court concluded.

The trial court had granted summary judgment to the insurer, holding the grid was not physically damaged.

The massive summer 2003 power outage affected an estimated 40 million people in eight U.S. states and 10 million in Ontario, according to the New York-based Insurance Information Institute. Outage-relat-

**READ documents from this case online at BI's Knowledge Center [www.BusinessInsurance.com](http://www.BusinessInsurance.com)**

ed economic losses were estimated at \$6 billion, though insured losses were minimal, according to the III.

The New Jersey ruling bolsters a 2000 Arizona ruling in *American Guarantee & Liability Insurance Co. vs. Ingram Micro Inc.* that granted coverage for data corruption that left a computer system useless, said Ed Joyce, a partner in the insurance recovery practice at Orrick, Herrington & Sutcliffe L.L.P. in New York who was not involved in the case. "It's basically saying loss of use is physical damage," he said.

Although the Wakefern case was remanded to the trial court, it is likely to be resolved quickly because damages of \$1.9 million were determined prior to the appeal, said Sheryllyn Pastor, a partner at McCarter & English L.L.P. in Newark, N.J., who represented the policyholder.

Attorneys for Liberty Mutual did not return phone calls.

*Wakefern Food Corp. et al. vs. Liberty Mutual Fire Insurance Co., Superior Court of New Jersey Appellate Division, Docket No. A-2010-07T3, April 22, 2009.*

## BI webinar explores benefits parity

*BusinessInsurance.com* will host an exclusive live webcast Tuesday on how employers should prepare their benefit plans to comply with the mental health benefits parity law.

"Mental Health Benefits Parity Act: Is Your Health Plan Ready?" is the title of the live webcast scheduled for 2 p.m. EST on April 28. The registration fee for the event is \$99.

The Mental Health Benefits Parity Act, which takes effect Jan. 1, 2010, will cause compliance challenges for employers as it ushers in equalization of benefits for mental health care and medical/surgical care. The act, signed into law as part of the 2008 economic stimulus package,



Mr. Fensholt



Ms. McCaskill

amends the Employee Retirement Income Security Act and requires all health care plans covering 50 or more lives—including self-funded plans—to ensure benefit parity.

While many employers have been occupied with ensuring their health care plans comply with new

COBRA rules, attention may have been diverted from the mental health care law.

Join Edward C. Fensholt, senior vp and director of compliance services for Lockton Benefit Group in Kansas City, Mo., and Rita McCaskill, senior consultant in the health and productivity practice of Watson Wyatt Worldwide in Detroit, as they explore the new law and what employers must do now to be prepared.

This webcast will be moderated by *Business Insurance* Senior Editor Joanne Wojcik.

For more information about the upcoming webcast, please visit [www.BusinessInsurance.com/webinars](http://www.BusinessInsurance.com/webinars).

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Responsibility. What's your policy?

## 401(k): Plan would require fee disclosure

CONTINUED FROM PAGE 3

"Small amounts of money compounded can become a lot" over time, said Rep. Rob Andrews, D-N.J., who chairs the subcommittee.

"It is important for us to see that (participants) hold on to every dollar possible," Rep. Miller said.

While benefit experts say increased disclosure of fees by service providers is welcome and is in the interest of plan participants, they also say more disclosure must be accompanied by better investment education.

"We are advocates that participants should have full disclosure.

Still, education is necessary and context is necessary so that fees" are not the sole driver of a participant's investment decision, said Eric Levy, retirement business leader with Mercer L.L.C. outsourcing unit in Norwood, Mass.

While no one should overpay for services, "fees need to be put in a context of return and risk. Participants may be willing to pay more for a fund in which they will get a better return," Mr. Levy said.

There are concerns, though, about the proposed legislation's requirement that at least one low-cost index fund be offered to participants. While many employers pro-

vide such an option, government shouldn't tell employers which funds they should make available, said Robyn Credico, national director of defined contribution plan consulting for Watson Wyatt Worldwide in Arlington, Va.

Observers say the fate of the proposal could depend in part on the future performance of the equities market.

With the current weak markets, the bill has some political momentum, said PricewaterhouseCoopers' Mr. Yovino. That momentum, though, could ease if the markets and participants' account balances rebound, he said.

## Commentary

# Workload dilemma: a catnap or type faster?

While your colleagues fight to hang on to their jobs by laboring excessive hours and forgoing family time to answer work e-mails, a nap might be in order.

Just don't let the boss catch you snoozing.

Your employer isn't likely to sympathize with arguments that downtime ultimately increases productivity or that stressed employees spend 46% more on health care.

"Many corporate heads are still in the proverbial sand when it comes to tackling the detrimental effects of stress on their human capital," states a recent report from a think tank convened by the San Diego, Calif.-based Disability Management Employer Coalition.

Some smart insurance industry people participated in the think tank that produced the report titled, "Extreme Productivity: Are Your Employees Hitting the Wall?" They included experts on disability and absence management, behavioral health, benefits design and physiology.

Combined, the think tank participants have a broad view of employees at the entities they work for as well as at client companies. They gathered to study an important issue they dubbed "extreme productivity."

During the past decade, companies have "supercharged their productivity" by leveraging technology and longer work hours, their report states. Now, companies are trying to survive the economic crisis by downsizing and squeezing even more work out of fewer workers.

Some people thrive on stress and greater workloads. But employers also are in danger of overdoing it, hurting their workforce and the bottom line.

The think tank noted job stress costs U.S. employers \$300 billion annually in absenteeism, turnover, lost productivity, and medical, legal and insurance expenditures.

Several workers comp professionals I spoke with last week at the Risk & Insurance Management Society Inc.'s annual conference in Orlando, Fla., said too many stressed workers likely would drive up workers comp claims.

That could happen as employees, fearful of losing their jobs, might forgo alerting their supervisors of an injury and not receive medical attention until their conditions worsen. Other employees may return to work before their injuries heal, which ultimately could drive claims costs.

So, as the think tank said, there is a business case for helping



**ROBERTO CENICERROS**

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workers find ways to reduce stress and growing work demands.

The think tank defined stressed employees as those participating in a combination of behaviors, including working long hours or more than five days a week and using technology to stay in touch with the workplace during off hours.

That surely sounds familiar to anyone fortunate enough to

**Some people thrive on stress and greater workloads. But employers also are in danger of overdoing it.**

have a job during these challenging economic times. It does to me.

If I e-mail colleagues or sources during evening hours hoping for a response early the next morning, I'm often surprised to hear back immediately. Or if I call before 8 a.m., I might get a response from someone driving their child to day care.

The need to stay in constant contact with work started before the recession. But it seems to have accelerated recently and people tell me they are putting in more effort, hoping they won't be part of the next batch of layoffs.

Businesses can help protect their human capital, though, by acknowledging the extreme productivity problem, the think tank concluded. Think tank participants also included some employers who provide examples of programs they have introduced to help employees cope with work demands.

A nap also might help as it's been shown that a little shut-eye improves thinking and judgment.

But don't expect me to be taking one. I'm too busy looking over my shoulder and trying to type faster.

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# Business Insurance OPINIONS

## Tough times call for risk management

IN TIMES LIKE THESE, risk management is more important than ever. That was one of the themes at last week's Risk & Insurance Management Society Inc. 2009 Annual Conference & Exhibition in Orlando, Fla., as we report in our coverage beginning on page 10.

While attendance at the commercial insurance industry's largest gathering was down markedly from 2008, the need for sound risk management practices echoed throughout the Orange County Convention Center.

When asked what was keeping them up at night, risk managers overwhelmingly said the economic turmoil was a major challenge. Cost-cutting has affected the budgets of many corporate risk management departments, in some cases eliminating safety officer positions. In short, risk managers have to do their jobs with fewer staff and other resources. Yet the need to manage risk well continues.

*When asked what was keeping them up at night, risk managers said economic turmoil.*

In a keynote speech at *Business Insurance's* Risk Manager of the Year awards breakfast last Tuesday, C.V. Starr & Co. Inc. Chairman and Chief Executive Officer Maurice R. Greenberg suggested corporate boards create risk management committees, comprising individuals able to understand the organization's business, no matter how complex. We think this is an excellent idea that, if implemented before now, might have prevented or at least reduced the severity of the financial crisis that has led to a global recession.

We hope the insurance industry and professional risk managers will work together to spread the message.

## Government should get involved in trade credit

ACTION IN EUROPE to offer temporary backstops to trade credit insurers qualifies as one of those rare occasions when governments should get involved in the commercial insurance business.

As we report on page 1, the United Kingdom is the latest European country to step in and provide much-needed capacity for policyholders whose limits have been curbed by commercial insurers. As bankruptcies and claims have risen as a result of the credit crisis, insurers have pulled back capacity for a line of coverage that often is contractually required by banks financing European suppliers.

In most cases, we would argue that insurance markets serve policyholders and insurers well and that governments should stay out of the business of insurance. But there are circumstances when the free market system breaks down and governments need to get involved. Prior to the credit crisis, the most obvious example of a need for governments to act as insurers was when capacity for terrorism risks evaporated after the Sept. 11, 2001, terrorist attacks. Had governments not stepped in to backstop the commercial insurance market, the lack of coverage would have caused widespread problems for property owners, the construction industry and other sectors of the economy.

A shortage of trade credit coverage also could have dire implications for the wider economy. The last thing the global economy needs right now is an encumbrance to international trade. By taking a temporary role in bolstering commercial trade credit insurance, the governments of Europe are supporting markets rather than replacing them.



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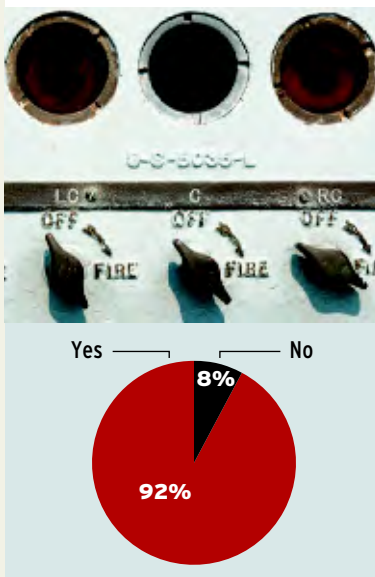
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#### NEXT WEEK'S QUESTION

Q: Have you ever tapped a retirement savings plan for nonretirement needs?

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## How to choose, and be, the best CRO possible

Experience and abilities are the hallmarks of the most effective chief risk officers, says Mark Adams, co-leader of the Insurance Practice in the Americas and area manager of the Boston office at global executive search and assessment firm Russell Reynolds Associates Inc. He says businesses need a clearly defined framework to choose the right CRO and describes qualities that set candidates for that post apart.

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# RIMS CONFERENCE NEWS

# SPOTLIGHT

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# RIMS helps members adapt to times

*Development tools  
offered through Web,  
educational programs*

By **RODD ZOLKOS**  
and **SALLY ROBERTS**

**ORLANDO, Fla.**—The poor economy is creating numerous challenges for risk managers looking to grow their skills and expand their roles within their organizations, said Joseph A. Restoule, president of the Risk & Insurance Management Society Inc.

But New York-based RIMS is working to help develop risk management despite financial constraints that many risk managers face, he said.

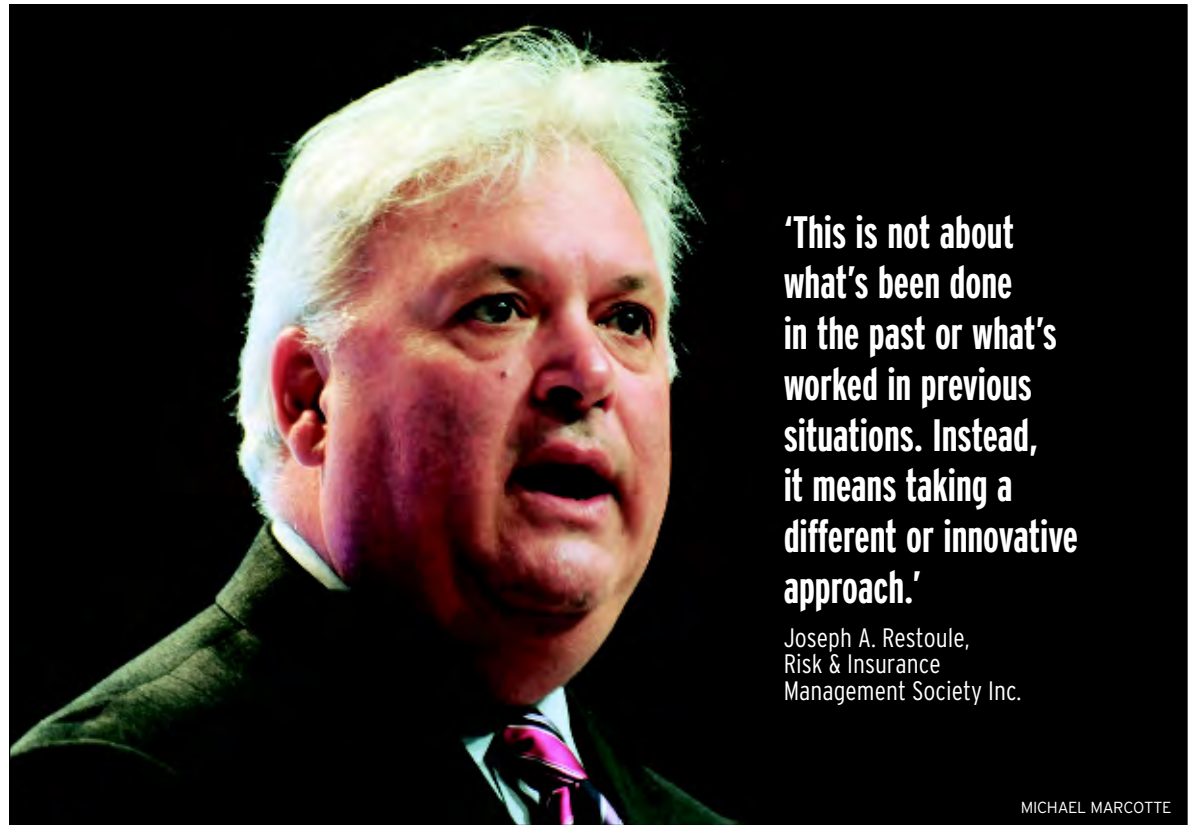
Those efforts include making more use of technology to keep RIMS members informed and expanding educational programs to provide risk managers with more opportunities to develop the skills they need to implement more complex risk management programs, said Mr. Restoule, who is leader of risk management for Calgary, Alberta-based NOVA Chemicals Corp.

Speaking at the opening session of the RIMS annual conference held in Orlando, Fla., last week, Mr. Restoule said the economic climate makes it “more challenging” for risk managers looking to expand their roles, but suggested they should “definitely consider how you can stretch yourself as a risk manager.”

Mr. Restoule told attendees they should try to increase their knowledge of traditional risks and anticipate new exposures. By doing so, “You have gone beyond the process of managing risk; you’re taking on new roles. This is not about what’s been done in the past or what’s worked in previous situations,” the RIMS president said. “Instead, it means taking a different or innovative approach.”

He invited RIMS members to tap the network of talent available in the organization and said, “A thoughtful and effective leader recognizes the value of other perspectives and viewpoints.”

Acknowledging that budgetary



**‘This is not about what’s been done in the past or what’s worked in previous situations. Instead, it means taking a different or innovative approach.’**

Joseph A. Restoule,  
Risk & Insurance  
Management Society Inc.

MICHAEL MARCOTTE

constraints made it more difficult for RIMS members to travel to this year’s conference—where attendance was down 23% compared with last year, RIMS said—the society made several efforts to allow virtual access to the conference.

Mr. Restoule said the organization was using blogs, online editions of each day’s RIMS Show Daily and even Twitter to keep members at home in touch with the conference events.

### *New tools and programs*

And in short order, audio and video of all RIMS sessions will be available online, the RIMS president said.

In her remarks to the conference, Mary Roth, New York-based RIMS’ executive director, cited the importance and value of the “RIMS community.”

“What truly distinguishes RIMS from other organizations is the community that we have created that allows all of us to stay connected,” Ms. Roth said.

“I’m very proud that RIMS is tak-

ing advantage of today’s technology to provide conference highlights not only to attendees but to those who couldn’t be here.”

Ms. Roth said the RIMS community goes well beyond the annual conference, being shaped by chapter and regional RIMS meetings; the “virtual” conference the organization offered last year; webinars; and RIMS’ relaunched networking Web site, which emulates popular social networking Web sites and allows RIMS members to form online networks or groups with their peers.

Ms. Roth also said RIMS will offer a new enterprise risk management educational program in partnership with the American Institute of Chartered Property Casualty Underwriters and the Insurance Institute of America. The new program is aimed at helping experienced risk managers implement and advance ERM programs in their organizations.

The course, which will be offered starting in 2010, will allow risk managers who’ve earned their Associate in Risk Management designation the chance to earn the ARM-E designation.

RIMS also is enhancing its career center in an effort to help those in the profession who have lost their jobs, Ms. Roth said later at a press conference. The society, for example, has enhanced its tools and resources to help people upgrade their resumes and to search for new jobs.

“There’s a very strong push to put all available jobs up on RIMS’ Web site,” Ms. Roth said.

Additionally, because travel budgets have been cut at many corporations, RIMS also is working to make its professional development courses and various workshops more accessible to people through videos, podcasts and webinars, Ms. Roth said.



**‘What truly distinguishes RIMS from other organizations is the community that we have created that allows all of us to stay connected.’**

Mary Roth,  
Risk & Insurance  
Management Society Inc.

MICHAEL MARCOTTE



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# Greenberg foresees challenges

By SALLY ROBERTS

**ORLANDO, Fla.**—Given the circumstances that led up to the recent financial meltdown, corporations should establish a board-level risk management committee, according to Maurice R. Greenberg, chairman and chief executive officer of C.V. Starr & Co. Inc.

Speaking a breakfast where *Business Insurance* and the Risk & Insurance Management Society Inc. presented the 2009 Risk Manager of the Year Award last week, the former American International Group Inc. chairman said that while there is “enough fault to go around,” there is no question that financial firms were not accurately looking at the aggregation of their financial risks, which contributed to today’s economic climate.

“I recommend that every company in the United States that is exposed to the possibility of financial disaster should have a board committee that is called risk management,” Mr. Greenberg said. The committee, he said, should be staffed with people who understand enterprise risk management and should meet on a quarterly basis “to make sure that what happened before does not repeat itself.”

During his keynote address, Mr. Greenberg recounted the events that led up to the economic crisis and gave his predictions on how it will affect the property/casualty industry.

For example, while it’s difficult to predict changes in inflation rates, inflation is inevitable and “obviously

is harmful to the P/C industry” as it erodes reserves and makes it difficult to price risk in advance.

In addition, Mr. Greenberg said U.S. commercial real estate values likely will decline further and, as a result, arson losses likely will rise. Employment practice-related claims also are likely to rise as layoffs continue, he added.

Insurers additionally will continue



Mr. Greenberg

to face challenging credit markets; and if corporate balance sheets erode and companies can’t raise capital, consolidation within the sector will occur, Mr. Greenberg predicted.

Insurers also may face regulatory reforms, he said, noting that in tough economic times, new regulation tends to be introduced hastily.

“When we introduce new regulation in the midst of a crisis or soon thereafter, we do it wrong. It’s emotional. It’s not thoughtful and we live to regret it,” Mr. Greenberg said.

He said the U.S. Treasury’s remedi-

ation actions have been “inconsistent,” allowing different troubled companies to either be sold, to go under or taken over by the government.

“There was no consistency in policy and we did have a remedy called Chapter 11,” he said.

“My point is not to point fingers” as there is enough fault to go around, Mr. Greenberg said. “My point is, let’s get it right this time and let’s not sacrifice the free enterprise system that has made this country so great.”

Mr. Greenberg also specifically spoke about AIG, saying that if he had remained chairman and CEO, the insurance giant “would have been a hell of a lot better” off now.

He described AIG Financial Products Corp., the now infamous unit responsible for AIG’s entry into the credit default swaps market, as “a good business” that made AIG a lot of money.

He noted that AIG had an enterprise risk management facility and a credit risk department reviewed AIG’s aggregate exposures.

“What happened after I left the company, I don’t know,” he said. “What should have happened is that after the company lost its AAA rating, it should have stopped writing credit default swaps and hedged their book,” he said.

He said that rather than pouring money into AIG and “have it go out the back door to counterparties,” the federal government should have guaranteed the financial products subsidiary and wound down the business over a period of time. “No cash would have been required.”



MICHAEL MARCOTTE

Carol Fox of Convergys Corp. (center) with RIMS Executive Director Mary Roth and President Joseph A. Restoule, who presented her with RIMS’ highest honor.

## RIMS awards recognize individuals, chapters

*Honors salute outstanding work by risk managers*

By MATT SCROGGINS

**ORLANDO, Fla.**—The Risk & Insurance Management Society Inc. presented several awards last week in recognition of outstanding achievements by individuals and by chapters of the society.

RIMS gave its highest honor, the Harry and Dorothy Goodell Award, to Carol A. Fox, who is senior director of risk management at Convergys Corp. The award, which is named for RIMS’ first president, Harry Goodell, is awarded each year to an individual who has advanced risk management as a discipline and has furthered the goals of RIMS.

In accepting the award, Ms. Fox thanked those who nominated her and said: “As risk leaders, we do make a difference in the lives of others. Our greatest professional achievements are the losses that didn’t happen and the opportunities that our organizations decide to take because of the skills we bring. Everything that RIMS involved me in—from chapter leadership to enterprise risk management—made me a better risk practitioner and leader.”

RIMS President Joseph A. Restoule announced the award, saying: “I’m very touched as all of you are. Carol is a close personal friend. I entered into my RIMS career with Carol. We embarked on a journey together.”

RIMS recognized several other individuals during the RIMS 2009 Award Luncheon.

The Richard W. Bland Memorial Award was given to Robert Cartwright Jr., who is loss prevention manager at Bridgestone Americas Holding Inc. and who serves as a member of RIMS board of directors. That award, which was established by RIMS Kansas City Chapter, recognizes efforts in the areas of legislation and regulation.

In addition, the Ron Judd Heart

of RIMS Award was presented to two individuals: Marley Drainville, risk manager at Enerplus Resources Fund, and Al Gorski, risk manager at the Orange County Transportation Authority. The award, which was established in tribute to the legacy of former RIMS Executive Director Ron Judd, recognizes the achievements of individuals furthering risk management at the chapter level.

The Arthur Quern Quality Award, which honors innovations within the risk management community, was given to Lawyers Insurance Fund, the Law Society of British Columbia for its Beat the Clock publication.

The Cristy Award was given to Lori Kahwache, corporate risk manager at BlueLinx Corp. The award acknowledges the individual who scored the highest on three exams for the Associate of Risk Management designation.

In addition, RIMS and *Business Insurance* presented the 2009 Risk Manager of the Year Award to Fred O. Pachón, who is vp of risk management and insurance at Select Staffing Inc. RIMS and *BI* also announced the 2009 Risk Management Honor Roll, which comprises Raymond J. Alletto, vp of risk management at United Rentals Inc.; Lori Jorgensen, senior director of finance/risk management at Microsoft Corp.; and Gary W. Langsdale, university risk officer at Pennsylvania State University.

Many individual RIMS chapters also were recognized, including several that received the Outstanding Chapter Programming Award. Those were: RIMS Central Florida Chapter, RIMS Chesapeake Chapter, RIMS Chicago Chapter, RIMS Golden Gate Chapter, RIMS Houston Chapter, RIMS Los Angeles Chapter, RIMS Minnesota Chapter, RIMS Nevada Chapter, RIMS Rocky Mountain Chapter, RIMS South Texas Chapter and RIMS San Diego Chapter.

Several other chapter awards also were presented, including the Overall Chapter Excellence Award, which went to the RIMS San Diego Chapter.

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# Costly credit puts focus on collateral reduction strategies

By **ROBERTO CENICEROS**

**ORLANDO, Fla.**—In today's difficult credit market, risk managers may want to reduce their collateral costs by lowering their insurance deductibles, speakers told attendees at the Risk & Insurance Management Society Inc.'s annual conference last week in Orlando, Fla.

Insurers require collateral to guarantee claims payment within large-deductible policies, the speakers said. Collateral, often in the form of letters of credit, is required under certain liability policies because

insurers ultimately must pay all claims, even those within the deductible, should the policyholder fail to meet its obligations.

As the cost of credit soars, upper management more often is demanding that risk managers try to reduce collateral expenses, the speakers said. They said a variety of strategies can help, but there is no single, magic bullet.

One way to reduce required letters of credit is taking a smaller retention, even though that might result in higher premiums, said Jennifer Dolan, director of client ser-

vices for Tave Risk Management in Northbrook, Ill.

"Depending on your loss trends and patterns, maybe that \$500,000 deductible made sense four or five years ago, but it doesn't make sense today," Ms. Dolan said. "While there will be a premium trade-off for that, it will have a positive impact on the collateral requirement."

A careful retention analysis conducted well ahead of a policy's renewal can help determine if this is "the year we want to reduce collateral," Ms. Dolan said.

Switching insurers also could

affect collateral because a new insurer is more likely to require more collateral than one familiar with an account, said Steve Heckle, director of risk management for LKQ Corp. in Nashville, Tenn. "We all want to get excited and shop for the best insurance premium, but you need to factor this in," he said.

Risk managers changing jobs might review old insurance contracts of their new employer to look for money "cloaked" as collateral, he said. Under one program he "inherited," the insurer assumed the money his employer posted

years earlier as part of a paid-loss program was collateral.

In paid-loss programs, policyholders post cash deposits that their insurer can tap to pay claims as they occur. But the money posted for paid-loss programs is not collateral, the speakers insisted.

"I had to put my lawyer hat on," Mr. Heckle said, "but they sent me \$900,000 cash the next week."

Insurers calculate collateral using an actuarial analysis that considers a company's ultimate losses within deductibles for expired policy periods and loss projections for the prospective policy period, said James C. Bulkowski, senior manager for Ernst & Young L.L.P. in New York.

They also weigh audited financials and factors driving results.

"Insurance companies have magic formulas (or) big black boxes," Mr. Bulkowski said. "If you can get the insurance carrier's final calculations, great, do that. Often they don't release them."

Policyholders in collateral negotiations that hire actuaries should make sure the actuaries' methodology addresses "critical changes" in the company, Ms. Dolan said.

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## Preparation helps reduce kidnap risks

By **MARK A. HOFMANN**

**ORLANDO, Fla.**—Kidnapping is a growing threat around the globe, an expert in the field says.

But corporations can prepare themselves to deal with the threat, said Ric Parlade, vp-business development for Herndon, Va.-based Clayton Consultants Inc. Having a crisis management team in place is key, he said.

Mr. Parlade said the growth of kidnapping is understandable. Kidnappers follow a successful business model, he said. Their return on investment is high while their risk is low, he said in pointing out that 97% of attempted abductions are successful.

It's a business model that works in good and bad economic times, he said during a session on kidnap management at last week's Risk & Insurance Management Society Inc.'s annual conference in Orlando, Fla.

Mr. Parlade said more than 15,000 kidnappings are reported each year globally, but experts believe that is only a fraction of the actual number. Areas where kidnapping is more frequent generally have corruption, weak law enforcement, a lack of central authority, a high crime rate, and a threat of violence and retribution.

Having a crisis management team to deal with kidnapping exposures can prove to be critical, said Mr. Par-

See **KIDNAP** page 16

# Risk Manager OF THE YEAR 2009® & Risk Management HONOR ROLL 2009®



Martin Ross, Business Insurance; Mary Roth, RIMS; Raymond Alletto, 2009 Risk Management Honor Roll recipient; Maurice Greenberg, C.V. Starr & Co., Keynote Speaker; Gary W. Langsdale, The Pennsylvania State University, 2009 Risk Management Honor Roll recipient; Joe Restoule, RIMS; Paul Winston, Business Insurance; Lori Jorgensen, Microsoft Corp., 2009 Risk Management Honor Roll recipient; Fred Pachón, Select Staffing, 2009 Risk Manager of the Year recipient; Regis Coccia, Business Insurance



Mary Roth, RIMS; Paul Winston, Business Insurance; Joe Restoule, RIMS; Lori Jorgensen, Microsoft Corp., 2009 Risk Management Honor Roll recipient; Regis Coccia, Business Insurance



Mary Roth, RIMS; Paul Winston, Business Insurance; Joe Restoule, RIMS; Raymond J Alletto, United Rentals, 2009 Risk Management Honor Roll recipient; Regis Coccia, Business Insurance



Regis Coccia, Business Insurance introduces the 2009 honorees



Mary Roth, RIMS; Paul Winston, Business Insurance; Joe Restoule, RIMS; Gary W Langsdale, The Pennsylvania State University; 2009 Risk Management Honor Roll recipient; Regis Coccia, Business Insurance



Mary Roth, RIMS; Paul Winston, Business Insurance; Joe Restoule, RIMS; Fred Pachón, Select Staffing, 2009 Risk Manager of the Year recipient; Regis Coccia, Business Insurance



Guests at the 2009 Business Insurance Risk Manager of the Year Awards Breakfast



Regis Coccia, Business Insurance; Keynote Speaker, Maurice Greenberg, C.V. Starr & Co.; Martin Ross, Business Insurance



2009 Risk Manager of the Year Awards breakfast with Keynote Speaker Maurice Greenberg, C.V. Starr & Co.

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# Firms urged to prepare for growing reputational risks

By MARK A. HOFMANN

**ORLANDO, Fla.**—Business as usual has ended and risk managers must recognize that new players can make or break the reputation of their companies, a communications expert says.

Richard S. Levick, president and chief executive officer of Washington-based Levick Strategic Communications, made the point during a discussion of how to manage reputational and headline risk in the Internet Age at last week's annual meeting of Risk & Insurance Manage-

ment Society Inc. in Orlando, Fla.

Businesses no longer have the luxury of sitting back and waiting to see how a crisis plays out in the traditional media, Mr. Levick said in citing a recent YouTube posting by Domino's Pizza Inc. employees as an example of growing threats to a company's reputation.

Within 24 hours of posting the video of the workers behaving badly with food, hundreds of thousands of people had viewed it, he noted. Domino's, however, did not respond immediately, he said. "Ducking and running does not

work," he said.

He said companies still look at traditional media such as newspapers to tell when they face a problem. Today, though, "high-authority bloggers" such as the Huffington Post and the Drudge Report have replaced traditional media. "We are now in the age of accountability."

The high-authority bloggers provide early warning signs of trouble, he said. In addition, the plaintiffs bar has tapped search-term optimization to lead browsers to sites they control. "They're anticipating crisis," he said.

Whoever moves first in a crisis gets to determine who plays hero and villain, he said.

In some cases, companies should consider hiring former regulators as "unimpeachable spokespersons" on their behalf, he said.

He contrasted the way Wall Street reacted to the economic crisis with the way Wall Street leaders responded to the Panic of 1907. The leaders of that crisis responded decisively, but "we do not have that leadership of Wall Street today. We have fear."

"One of the great failures of Wall Street is that they do not under-

stand that the power of New York has moved to Washington," where it will stay for at least four more years, Mr. Levick said.

"The cheese has moved. It's a new day," said Mr. Levick in an interview after the session. The plaintiffs bar and others "effectively control the Internet and that means they control the narrative" during a crisis.

Risk managers need to make sure their corporate management knows about high-authority bloggers in their particular industry, what the most anticipated crisis is and who controls optimization on critical Internet search terms, he said.

Jeffrey Lattmann, managing director of Beecher Carlson Holdings Inc. in Jersey City, N.J., and Raymond J. Alletto, vp-risk management for United Rentals Inc. in Irving, Texas, also participated in the discussion.

## Kidnap: Risk rising rapidly

CONTINUED FROM PAGE 14

lade. Dealing with a kidnapping requires making major decisions, something a team approach helps, he said.

The team could include a family member of the victim, someone who communicates with the kidnapers—usually a family member—a corporate team and an outside consultant, he said.

"Experience and calm is really the key in these things," Mr. Parlade said. Panic can lead to rushed decisions and "you don't want rushed decisions when you're dealing with life and death" as well as large amounts of money.

Consultants such as Clayton don't communicate directly with kidnapers, but rather handle logistics and provide other services. When a kidnapping occurs, the crisis team—which can include the corporate risk manager—receives, evaluates and verifies the incident. As negotiations begin, "it's all about shifting control out of the hands of bad guys and shifting it to the crisis management team," he said.

Long before a kidnapping, "preplanning is the key," Mr. Parlade said. In an interview after the presentation, he said the risk manager's role is to be involved in preventive training.

But even with preplanning, kidnapping still happens. In 98% of the cases, the victim is released because of a ransom payment.

Ransoms should not be paid too soon because it makes the payer look like an easy target with plenty of money, Mr. Parlade said.

Paying the money and getting the victim returned involves a certain amount of good faith dealing with the criminals. He said it is rare that kidnapers take the money without releasing the victim.

"If there are too many cases where there's no release, the whole industry would not work," he said.



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# UP Comings & Goings CLOSE



## SAM PROCTOR

**NEW JOB TITLE:** Cherry Hill, N.J.-based vp/employee benefits for Conner Strong Cos. Inc.

**PREVIOUS POSITION:** Principal, lead client consultant and portfolio manager for the Philadelphia and Bridgewater, N.J., offices of Hewitt Associates Inc.

**GOALS FOR NEW POSITION:** My primary objective is to exceed our clients' expectations. Secondly, to make sure that we are understanding and listening to our clients' conditions in a changing environment, and bringing them solutions that will help in the short term and...with the longer-term strategy that we helped them create. In addition, I want to help them improve business results so it's a win-win all around.

**INDUSTRY CHALLENGES:** In the benefits world, it's getting a little tougher (for businesses) to provide the kind of benefits package you want for your attraction and retention goals, while trying to keep your eye on costs and business goals. On the health care side, (the challenge is) how do we manage costs while the advances in technology and the advances in physician

innovation have spurred a lot of additional costs, which are important in improving health and outcomes; but we've got to figure out how to deliver that in a cost-effective way while we're all minding our budgets.

**IF I COULD CHANGE ONE THING IN THE INDUSTRY:** I would hope that we could integrate data more efficiently and make sure the (health care) advances that are being made are done so to improve health and productivity.

**FIRST INDUSTRY JOB:** I was a group insurance underwriter with Prudential and my responsibility as an underwriter was to protect the financial interests of the company and also help maintain and grow our membership.

**ADVICE:** Our industry succeeds based on how much our clients want to retain us. If we focus on exceeding their expectations and take time to listen to them, and come to them with solutions that align with their business strategies, those are the things that are important.

**OUTSIDE THE INDUSTRY, A DREAM JOB:** An architect. I like the idea of drafting a blueprint and seeing that through to a tangible result.

## Products & Services

### AIR introduces new cat risk evaluation

**BOSTON**—AIR Worldwide Corp. last week introduced a new service to evaluate catastrophe risks of industrial and energy facilities, including offshore platforms and their networks.

AIR said its catastrophe risk engineering practice provides corporate risk managers and insurers with structural evaluations, earthquake and wind engineering services, and risk modeling for predisaster planning, risk mitigation and postdisaster damage assessment.

Boston-based AIR said its model evaluates seismic or hurricane risk for industrial and offshore facilities, including structures, machinery, equipment, transmission systems, transport assets and contents.

For more information, visit [www.air-worldwide.com](http://www.air-worldwide.com).

### Aon releases browser-based risk management system

**CHICAGO**—Aon eSolutions, the technology division of Chicago-based Aon Corp., last week released IBM Cognos 8 Business Intelligence as part of its browser-based risk management information system RiskConsole.

The RiskConsole offering is designed to provide cross-functional modeling capabilities to help

business users and risk management departments analyze and identify factors driving the total cost of risk and, ultimately, help reduce business costs, the Aon unit said.

IBM Cognos 8 Business Intelligence provides users with the ability to view data broadly or in detail, such as an individual claim, policy, property, employee or vehicle record.

For more information, visit [www.aon-esolutions.com](http://www.aon-esolutions.com).

### Mercer offers online retirement information

**NEW YORK**—Consultant Mercer L.L.C. has launched an online educational program, Feel Better About Retirement, for employees or anyone whose 401(k) plans it administers.

The program, which is part of Mercer's MyView software, is designed to help participants stay on course with their long-term financial planning, while addressing concerns that go along with the volatile economy.

New York-based Mercer, a division of Marsh & McLennan Cos. Inc., said the program is an interactive way participants can engage in their retirement calculation, address investment fears and encourage positive retirement planning. The campaign data in the planner will be updated quarterly to match the economic environment.

Each quarter, users of [www.feelbetteraboutretirement.com](http://www.feelbetteraboutretirement.com) will be able to "check their symptoms" of a new financial ailment and investigate their "treatment options," Mercer said. The area includes calculators, podcasts and articles.

For more information, visit [www.mercer.com](http://www.mercer.com).

### Arbitration group offers review of disputed cases

**NEW YORK**—The American Arbitration Assn. is offering a service for parties involved in complex insurance coverage disputes.

The organization's Complex Coverage Neutral Evaluation, also called CCNE, offers policyholders and insurance companies an objective expert third-party evaluation to determine the strengths and weaknesses of their respective cases.

The evaluator is mutually agreed upon and selected from a panel of neutral experts that specialize in the insurance industry, the New York-based agency said. The evaluation is non-binding and confidential and encourages direct communication between adversarial parties, which is "particularly important when the disputants are far apart in their views," AAA said.

The service is aimed at minimizing the impact of disputes by achieving early resolution. For more information, visit [www.adr.org](http://www.adr.org).

### TO SUBMIT ITEMS

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

BI's Market Moves column reports on activities by insurance industry companies and related entities. Please send news of Market Moves to Zack Phillips, 711 Third Ave., New York, N.Y. 10017 or e-mail [zphillips@businessinsurance.com](mailto:zphillips@businessinsurance.com).

## Comings & Goings

# ONLINE

**VISIT** [www.businessinsurance.com/ComingsandGoings](http://www.businessinsurance.com/ComingsandGoings) for a full list of this week's personnel moves and promotions. Check our Web site daily for additional postings and sign up for the weekly e-mail.

### TO SUBMIT ITEMS

*Business Insurance* would like to report on senior-level changes at commercial insurance companies and service providers. Please send news and photos of recently promoted, hired or appointed senior-level executives to:

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*Business Insurance*  
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Chicago, Ill. 60601-3806  
[amartinat@businessinsurance.com](mailto:amartinat@businessinsurance.com)

### POSTING THIS WEEK

#### BROKERS:

- Willis Group Holdings Ltd.
- Thompson Health & Bond Ltd.
- Heath Lambert Group Ltd.

#### INSURERS:

- Travelers Cos. Inc.
- QBE the Americas
- AIU Holdings Inc.

#### OTHER PROVIDERS:

- Buck Consultants L.L.C.
- Liberty Syndicate Management Ltd.

#### ASSOCIATIONS:

- Employee Retirement Income Security Act Industry Committee

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The New York City Housing Authority ("NYCHA") requests Proposals from qualified **INSURANCE CARRIERS** for Primary/Excess General, Automobile, Non-Owned & Hired Automobile, and Employee Benefits (Claims Made) Liability Insurance Coverage. Carriers must be licensed in N.Y. State with "A.M. Best" rating of at least "A- VIII". Coverage is to become effective August 1, 2009.

Proposals must be in the format included in the Invitation for Bid package containing instructions, specifications and detailed submission requirements. Packets may be obtained by calling NYCHA's **Liability Insurance Broker: Towers Perrin Consultative Insurance Placement, One Stamford Plaza, 263 Tresser Boulevard, Stamford, CT 06901-3226 at (203) 363-1962.** In order to be eligible, completed bid proposals must be received by 3:00 P.M. EST on May 29, 2009.

All inquiries for additional information regarding the Invitation for Bid are to be directed, to **William M. Mollica, Vice President, at the aforementioned address, telephone or e-mail at: [William.Mollica@towersperrin.com](mailto:William.Mollica@towersperrin.com).**



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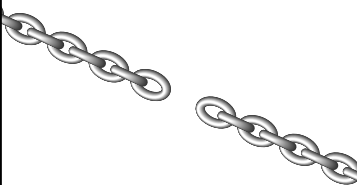
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IN THE MATTER OF SECTION 99 OF THE COMPANIES  
ACT 1981  
IN THE MATTER OF A SCHEME OF ARRANGEMENT  
SCHEME EFFECTIVE DATE AND BAR DATE  
NOTICE IS HEREBY GIVEN that the Scheme of  
Arrangement (the "Scheme") between Harrington  
International Insurance Ltd. ("Harrington" or the "Company")  
and its Creditors became effective on March 20, 2009.  
In accordance with the terms of the Scheme, Creditors  
are now required to file a Scheme Claim Form on or before  
the Claims Submission Date which is June 19, 2009 (being  
90 days following the Effective Date i.e. March 20, 2009).  
THESE FORMS MUST BE COMPLETED AND FILED UNLESS  
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regarding the Scheme.  
Creditors must return the completed Scheme Claim Form  
so as to reach the offices of the Company on or before the  
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Scheme Claim Forms can also be faxed to the Company  
on the fax number: +1 441 296 0761 (attention: Harrington  
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the Scheme Claim Form are provided with the form.  
Failure to file a Scheme Claim Form by the Claims  
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Roger Wiegley • Harrington International Insurance Ltd  
March 30, 2009

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## M&As: IPC deal 'beginning' of more consolidations

CONTINUED FROM PAGE 4

The deal to win IPC is being fought by fellow Bermuda-based reinsurer Validus Holdings Ltd. and Bermuda-based specialty insurer and reinsurer Max Capital Group Ltd. In March, IPC and Max Capital reached a definitive merger agreement valued at \$912 million in stock. But Validus in late March made an unsolicited \$1.68 billion stock offer for IPC. While IPC's board of directors rejected Validus' offer and reaffirmed its deal with Max Capital in early April, Validus appealed directly to IPC shareholders.

The contest for IPC "has changed the thinking in Bermuda, and I think the door is open now," said Cliff Gallant, an analyst with Keefe, Bruyette & Woods, in New York.

"We had been speculating about the Bermuda market for the past year or so. I think this IPC deal is the beginning of more to come," said David Simmons, director at Deloitte Tax L.L.P. in Hartford, Conn.

Experts say small to midsize insurers in Bermuda are the most likely to consolidate.

"There are at least a dozen smaller companies with roughly \$1 (billion) to \$2 billion in capital that would be the most likely to consolidate," Mr. Simmons said.

Mr. Gallant said Bermuda stands out from the rest of the industry because of the high concentration of small to midsize firms that are

looking to gain scale. In addition, Bermuda insurers have "survived the past year better than most others, so they are looking like a good value right now," he said.

The IPC Max Capital combination would have total assets of about \$10 billion, the companies said. Analysts said the merger would result in a financially stronger, more diverse company that's positioned to compete with larger peers.

A desire for similar growth could drive additional M&As, experts say.

"There is certainly security in size" said John Berger, chief executive officer of Hamilton, Bermuda-based Harbor Point Ltd. Consolidation in Bermuda "makes all the sense in the world. I wouldn't be surprised to see a few more deals."

Like many insurers, IPC's stock was trading below book value and analysts say either firm's purchase of IPC would be considered a good deal. Experts also say any additional deals in the near future likely would be an all-stock transaction, similar to the IPC takeover bid.

The all-stock deal "is very appealing to the extent that you can achieve scale with minimal capital expenditure," said Mark Murray, an analyst at A.M. Best in Oldwick, N.J.

But some say further consolidation in Bermuda may have to wait for the upcoming hurricane season to play out.

"No one wants to take their eye off the ball during hurricane season," Mr. Gallant said.

## Health: Presenteeism a costly problem: Study

CONTINUED FROM PAGE 3

"Health and Productivity as a Business Strategy: A Multiemployer Study" combined medical and pharmacy claims data with self-reported health-related employee absenteeism and presenteeism data culled from the Health and Work Performance Questionnaire, a tool developed by Harvard University researcher Ronald Kessler and the World Health Organization.

The study was conducted in two phases: The first phase used data collected between 2005 and 2006 from four employers with 57,000 employees. In the second phase, between 2007 and 2008, researchers increased the number of employers to 10 and employees to 150,000 and investigated more subtle aspects of the relationship between the 25 targeted health problems and productivity.

More than 1.1 million paid medical and pharmacy claims were included in the combined analysis.

Dr. Ronald Loeppke, a principal author of the study, said another interesting finding was that health-related productivity losses are as pervasive among executives and managers as they are among rank-and-file workers.

"They had a lot of presenteeism

impact. They were getting burned out, so the quality of their work suffers," said Dr. Loeppke, who is executive vp of health and productivity for Brentwood, Tenn.-based Alere L.L.C., which conducted the research with funding provided by the National Pharmaceutical Council. Alere's Center for Health Intelligence, the San Francisco-based Integrated Benefits Institute and the Elk Grove Village, Ill.-based American College of Occupational and Environmental Medicine coordinated the study.

Dr. Loeppke said the study also found that the more conditions an employee has, the greater the effect on their work-related productivity.

"Employees that have multiple health conditions have much greater days of productivity loss per year," he said. The majority of workers that were studied—representing a cross-section of the general population—suffered from more than one health condition, he pointed out.

To address the effect of multiple health conditions on worker productivity, Tom Parry, president of the IBI, suggested disease management and health promotion programs be more holistic and focus on the person as a whole, rather than on individual medical conditions.

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# AIG: Move to accelerate spinoff of P/C business sensible, some say

CONTINUED FROM PAGE 1

mon interests in the SPV. AIG also plans to purchase AIU Holdings' equity interests in International Lease Finance Corp., United Guaranty Corp. and Transatlantic Holdings Inc., which will further separate the property/casualty operations from AIG and its other affiliates.

AIG Chairman and Chief Executive Officer Edward Liddy said in a statement, "Placing AIU Holdings into an SPV marks the latest significant step to position our strong insurance companies as independent businesses, which will benefit all stakeholders, including policyholders, employees and distribution partners."

An AIG spokesman said: "The AIG brand is not exactly helping

**The AIG name 'is not doing them a whole lot of benefit, so creating this separate identity, I think, is positive for employees and constituents.'**

Joyce Sharaf, A.M. Best Co.

our commercial insurance business right now. The brand's been badly damaged and there are some who are understandably reluctant to do business with AIG, so to demonstrate our determination to separate the company, and establish it as a highly credible, well-capitalized, independent operation, we established the SPV."

He added, "It is really to demonstrate to the market that the problems that AIG has suffered because of one division has no impact whatsoever on our exceptional P&C companies, or life companies, or any of the insurance companies." AIG's financial crisis in 2008 stemmed largely from writedowns and realized losses in its AIG Financial Products unit.

Observers say the idea of separating the property/casualty opera-

tions from the rest of the firm is sound. Cathy Seifert, an equities analyst with Standard & Poor's Corp. in New York, said, "To the extent they can move ahead, I think it makes sense to preserve what franchise value may be left."

Joyce Sharaf, assistant vp at Oldwick, N.J.-based A.M. Best Co., said the move is a first step in separating from AIG, "and I believe it's beneficial for them to do it sooner rather than later." The AIG name "is not doing them a whole lot of benefit, so creating this separate identity, I think, is positive for employees and constituents," she said.

It is "unfortunate it didn't hap-



pen sooner," said Cliff Gallant, an analyst with Keefe, Bruyette & Woods Inc. in New York. "They needed to take steps to stem the flow of people and business leaving

the company, so I think at least laying out the game plan so that people can see this separation is going to occur...will help stabilize the business."

Observers noted that AIG had announced in March it planned to establish SPVs for subsidiaries American International Assurance Co. Ltd., which includes AIG's foreign life insurance units, and American Life Insurance Co. Those plans are proceeding, the AIG spokesman said.

"Evidently, they see that as a constructive process and have decided to follow a similar course for AIU," said Bruce Ballentine, an analyst

with Moody's Investors Service in New York.

Kevin Ahern, a credit analyst with S&P, said, however, all this is occurring against a backdrop of slower asset sales than had been envisioned. The 21st Century Insurance Group's sale to Zurich Financial Services Group's Farmers Group Inc., which was announced earlier this month, though, "is a step in the right direction" (BI, April 20).

The move will be productive for AIU employees and policyholders, though it is unclear how good it is for shareholders, including U.S. taxpayers, said Bill Bergman, an analyst with Morningstar Inc. in Chicago.

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# Quake: Deadly temblor raises questions on Italian building practices

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although it is unclear how widespread the practice may have been.

Buildings constructed after 1980, when the country strengthened seismic building requirements after the deadly Irpinia quake in southern Italy, should not have collapsed, said Rui Pinho, an assistant professor of structural design at the University of Pavia in Pavia, Italy, and secretary general of the Global Earthquake Model, an organization that calculates earthquake exposure and provides options on how to manage that risk. Of those that did, "something very, very wrong must have happened in terms of their construction," he said.

Allesandro Martelli, head of prevention and mitigation of natural risks at the Italian National Agency for New Technology, Energy and Environment in Rome, toured the area last week and said he found widespread evidence of shoddy construction.

"Practically all the damage I saw should be attributed to bad design and bad construction," said Mr. Martelli, who also is a professor of seismic engineering at the University of Ferrara in Ferrara, Italy.

A heavily damaged hospital in L'Aquila was one structure that appeared to have been built without regard for the region's construction codes, he said.

Debris at the site indicates concrete used to build the hospital had been mixed with too much water, leaving it weakened, Mr. Martelli said. Steel bars apparently were used in the construction without a proper assessment of how much compression they could withstand, he added.

"Two hundred years ago, they would not have built a building like this," said Mr. Martelli. "I don't know if they even read the code,"

he said of builders that constructed the hospital.

"There are clearly cases of bad design and construction," with the hospital and a student dormitory that collapsed as examples, Mr. Pinho agreed. It is hard to know, though, how much of the region's damage was caused by willful violation of codes, he said.

Structures built before 1980 were done so under codes that were inferior to the regulations in place today, Mr. Pinho pointed out, and they may have been constructed legally, albeit inadequately.

When the prosecutor's investigation is finished, it likely will turn up some violations but may not uncover many, said Mr. Pinho. "I'm pretty convinced that only in a few cases will one arrive at the conclusion that the code was not respected."

Mr. Martelli said Italy's code governing building to seismic specification remains inadequate because the latest revision is not mandatory.

## Code revisions

A 2003 revision strengthened requirements for construction in earthquake-prone regions, but builders have been allowed to adhere to the earlier version until June 2010, he said.

That could change because the L'Aquila quake has prompted the Italian parliament to consider bringing the revised code into force sooner, he said.

"If the new code had been followed, the damages would have been zero" to the structures built according to the strengthened requirements, Mr. Martelli said.

The risk of quake damage to inadequately constructed buildings is not a problem limited to the L'Aquila region, sources said.

A spokeswoman for Legambiente, a Rome-based nonprofit environmental group, said the organization conducted a study that found near-



A school in San Giuliano di Puglia, Italy, about 140 miles from Rome, collapsed in 2002 after an earthquake and killed more than two dozen people, most of them students at the school.

## Less than half of schools comply with code

**ROME**—Nearly half of Italy's schools may have been built to standards that are not in compliance with the country's earthquake code, a study by an environmental group claims.

Legambiente, a Rome-based environmental management nonprofit whose name translates as League for the Environment, says in an April report that 46% of Italy's schools built through 2007 were not properly constructed for the seismic risks they face.

The report, *Ecosistema Scuola*, polled municipalities to assess the condition of their schools with regard to environmental risks, security, maintenance and management.

Its findings show there is a significant danger to students and faculty at Italian schools that are not properly built to withstand earthquakes, a spokeswoman for the group said.

As evidence of the danger, she pointed to the 2002 earthquake-induced collapse of a school in San Giuliano di Puglia about 140 miles from Rome. More than two dozen children died when the building, which was determined to have been improperly built, was destroyed.

The study, in Italian, is at [www.legambientescuolaformazione.it](http://www.legambientescuolaformazione.it).

—By Michael Bradford

ly half of the country's schools were not built according to code (see related story).

"This is an Italian problem," Mr. Martelli said. "If this had happened in another area, it would have been

even worse."

The Abruzzo region had been classified as seismically active and, therefore, at least some of its buildings were constructed to withstand earthquakes, Mr. Martelli said.

But a large area of Italy was not seismically mapped until after 2002, he said, meaning builders in areas now considered risky did not build with the proper seismic exposure in mind.

# Hartford: Inability to sell life operations may force P/C business sale

CONTINUED FROM PAGE 1

October from Munich, Germany-based Allianz S.E., Hartford reported a \$2.75 billion loss for 2008, which led to rating agency downgrades (*BI*, March 9). While Hartford's life operations posted a \$2.44 billion loss last year, its property/casualty business had a \$92 million profit.

The property/casualty business, which posted \$10.23 billion in net premiums written in 2008, had \$6 billion in statutory surplus at year's end.

Observers say some or all of Hartford's property/casualty units may be up for sale because of problems in selling its life operations.

"The way the financial markets are now, I think there's no consensus on what life operations are worth today, so it's probably very difficult for them to execute" that type of a deal, said Cliff Gallant, an analyst with Keefe, Bruyette & Woods Inc. in New York.

Capital in the life insurance business is scarce, "which would limit the

buyer base in today's market," said Stewart Johnson, a portfolio manager with Stamford, Conn.-based investment bank Philo Smith & Co.

And finding a buyer could be an issue for the property/casualty operation as well, he said.

"Most companies, P&C and life, are not flush with capital as they were two years ago, so in today's environment, it will be more difficult to sell or find a buyer than it would have been when capital levels were high," Mr. Johnson said.

Bret Howlett, an equity life insurance analyst at Standard & Poor's Corp. in New York, said, "You knew the Hartford was going to have to do something in regard to selling some of its assets, whether it's the life insurance business or parts or all of the property/casualty division as well." Hartford's property/casualty business possibly being on the block "doesn't really come as a surprise. It might indicate that they're having some difficulty selling their life business," he said.

Mr. Howlett said he thinks the

**'The P/C business at the Hartford seems to be their shining star, especially when compared with the annuity portion of the life business.'**

Stewart Johnson, Philo Smith & Co.

insurer would have preferred to sell its life business, which has "been what's plaguing the Hartford," he said. "Their P/C division has really held up OK."

"The P/C business at the Hartford seems to be their shining star, especially when compared with the annuity portion of the life business," Mr. Johnson said. "It seems apparent that the life business may need some capital, and the sale of the P/C business, or a portion of it,

may raise that needed capital."

If the reports are true, "I don't think they'll have any problem" in selling the property/casualty operation, Mr. Gallant said. "They have a property/casualty business that is one of the most highly valued companies out there," with a good underwriting history and "a lot of good people."

"If they want to sell it, there's certainly going to be interest," he said.

Travelers would be a "natural" fit, Mr. Gallant said. A deal with ACE "seems a little bit of a step in a different direction for ACE, but at the right price, I'm sure they could be interested as well."

Observers noted that Hartford has acquired a savings and loan holding company and thus may now qualify to obtain between \$1.1 billion and \$3.4 billion in Troubled Asset Relief Program funds.

"If the TARP pays the \$3.4 billion, (Hartford) may not necessarily have to sell off this division. We have to see what happens," said Laura Digan, a vp with Boca Raton, Fla.-

based JVB Financial Group L.L.C., a fixed income investment firm.

But Mr. Howlett said even a \$3.4 billion TARP infusion may not be enough to avoid an asset sale. "I don't know if that would change," he said. "The Hartford faces a lot of challenges, and their capital position is weaker relative to their peers, in my view, so certainly I think an asset sale would make sense in this environment."

Mr. Howlett said the life insurance business was affected by its exposure to the equity markets and its role as a variable annuity writer, in which it had written many contracts that guaranteed a certain return despite the market's performance. There also were issues surrounding its investment portfolio, including riskier assets such as mortgage-backed securities, he said.

A Hartford spokesman could not be reached for comment.

The insurer is scheduled to post its first-quarter results May 1. The stock closed Friday at \$9.59, down \$1.59.

## News In Brief

CONTINUED FROM PAGE 1

on bills by early June. In a letter to President Barack Obama, Sen. Max Baucus, D-Mont., who chairs the Finance Committee, and Sen. Edward Kennedy, D-Mass., the chairman of the Health, Education, Labor and Pensions Committee, said their committees will mark up the two bills in early June and, after committee action, quickly merge them into a single bill for consideration by the full Senate. Action must be swift "because the cost of inaction is too high for individuals, families, businesses, state and federal governments," Sens. Baucus and Kennedy said in their letter.

### S.F. to boost minimum health care spend

Employers with employees in San Francisco will have to pay more next year to comply with the city's controversial health care spending law. Beginning on Jan. 1, 2010, employers with 100 or more employees will be required to spend \$1.96 per hour per covered employee on health care, up from \$1.85 in 2009, while employers with between 20 and 99 employees must spend at least \$1.31 per hour, up from \$1.23, city officials said. Employers with fewer than 20 employees are exempt from the spending requirement.

### Strong capitalization seen in P/C sector: S&P

The global property/casualty insurance sector is expected to maintain a strong level of capital adequacy through 2009 despite challenges presented by volatile financial markets, according to a report released by Standard & Poor's Corp. S&P analysts said the property/casualty industry "seems to be a positive outlier" compared with other industries in terms of capital stability in today's economic and financial markets. However, S&P notes in its report, "Property and Casualty Insurance Capitalization: The Pressure Is On," insurers could see their capital adequacy diminish due to investment-related volatility, declines in interest rates and poor reserve development in prior years. Insurers with significant long-tail commercial lines exposures "will

likely remain most vulnerable" to deficiencies in capital adequacy, S&P said, "as their ability to offset underwriting losses through investment incomes has greatly diminished, unlike the soft cycle of 1990s when the investment environment was strong."

### Weyerhaeuser stops 401(k) funds match

Forest products giant Weyerhaeuser Co. is suspending its 401(k) plan match to salaried employees. Matching contributions will be suspended effective May 1, a Weyerhaeuser spokesman said, citing economic conditions for the suspension. Weyerhaeuser had been matching 70% of salary deferrals, up to the first 7% of pay.

### Insurers challenge pleural plaques law

Insurers are seeking a judicial review of a Scottish law that says claimants with asbestos-related pleural plaques should be compensated. Scotland's Parliament approved the Damages (Asbestos-related conditions) (Scotland) Act in March, overturning a 2007 decision by the United Kingdom's highest court that said pleural plaques are not compensable. Although the condition can signal future asbestos-related disease, it does not necessarily lead to ill health. The Scottish law means that pleural plaque sufferers can claim compensation for the anxiety the condition may cause. The insurers argue the law violates Article 6 of the European Convention on Human Rights, which says everyone is entitled to a fair trial, that the law contravenes insurers' economic rights under the convention, and that it is inconsistent with common law grounds of rationality.

### Kimberly-Clark freezes nonunion pension plan

Consumer products manufacturer Kimberly-Clark Corp. said it will freeze its defined benefit pension plan for nonunion employees. After Dec. 31, benefit and service accruals will cease, Dallas-based Kimberly-Clark disclosed in a filing last week with the U.S. Securities and Exchange Commission. At the same time, the company said it will add a 401(k) plan in which it will match 100% of employees' salary deferrals, up to 4% of pay. Kimberly-Clark will make additional contributions, up to 6% of pay, with the amount of those discretionary contributions based on company profits. Contributions to an existing defined contribution plan will end Dec. 31.

## Credit: U.K. proposes top-up program

CONTINUED FROM PAGE 1

And the Portuguese government and a group of insurers have announced a proposal for the government to provide up to €500 million (\$651.9 million) in credit insurance coverage, topping up a similar amount that would be committed by credit insurers.

The German government also is debating some form of top-up coverage for credit insurance buyers.

Under the U.K. plan, which is time-limited and capped at £5 billion (\$7.4 billion) total capacity, from May 1 until the end of 2009, companies will be able to purchase six months of top-up coverage from the government if the limits they can obtain from commercial credit insurers are reduced.

The amount of coverage available either will restore the coverage to its original amount, double the amount of capacity companies are able to access from the private sector, or be up to £1 million (\$1.48 million), whichever is the lowest.

The government said it had worked with private sector insurers to design the plan and the three largest credit insurers in the United Kingdom—Atradius N.V., Coface S.A., and Euler Hermes—have agreed to offer the program to their policyholders.

The proposal is expected to receive Parliamentary approval by

May 1.

The move was welcomed by business groups, though they lamented that the plan had not been proposed earlier.

"The sudden and often unexpected withdrawal of trade credit insurance has been causing real headaches for firms who depend on this cover to go about their day-to-day business," said Richard Lambert, director general of the Confederation of British Industry, in a statement. "Much of the pain could have been avoided by earlier intervention, but this targeted top-up (program) will provide welcome relief for some companies."

Jane Milne, business director of the British Retail Consortium, said the top-up plan was "much needed" but said the government plan was "too little, too late."

The top-up plan will not be available to buyers whose limits were cut before April 1, she said, which means many companies will continue to suffer from a lack of coverage.

Susan Ross, a director at Aon Trade Credit, a unit of Aon Corp. in London, welcomed the plan, but said Aon was disappointed the plan will not retroactively address the problems faced by businesses who saw cover reduced or withdrawn in the first quarter of the year.

While many small-to-medium-sized companies will welcome the

government plan, it will not help those companies that already have seen their coverage canceled or limits reduced, noted Tim Smith, managing director of the trade credit practice at Marsh Inc. in London.

"The lack of availability of trade credit insurance to large sections of U.K. companies will continue to imperil both business viability and jobs in sectors most in need of support," he said.

Tarlok Teji, head of retail at Deloitte L.L.P. in London, said that "in the longer term, all stakeholders in the industry, especially the retail and supplier industry bodies, may wish to consider whether there are other, better ways to protect themselves and their members."

"Through this top-up scheme, the government is effectively endorsing our risk management decisions," said Fabrice Desnos, chief executive officer of Euler Hermes U.K. "It recognizes that some risks will not be worth taking."

According to statistics released by the Assn. of British Insurers last week, 8,366 trade credit insurance claims were filed in the United Kingdom in the fourth quarter of 2008, up 51% from the 5,540 filed in the year-earlier quarter.

The ABI said the value of trade credit insurance claims in 2008 was £360 million (\$532.5 million), up 40% from £257 (\$380.2 million) million in 2007.

## Solvency II: Parliament adopts directive

CONTINUED FROM PAGE 3

appropriate, to make sure their implementation plans stay on track," said Mark Batten, a partner at PricewaterhouseCoopers L.L.P. in London.

Buyer representatives are keen that the implementation measures uphold the "proportionality principle" that, among other things, will ensure that the new rules treat captive insurers in accordance with their size and complexity. They hope proportionality also will be applied to corporate governance and transparency rules as part of the implementation measures.

It is not clear whether proportionality will extend to such areas, said Jeanette Roedbro, manager of the European Captive Insurance and Reinsurance Owners' Assn., the Luxembourg-based group that was formed to represent the interests of captive owners concerning

Solvency II.

"Remember, captives tend to have a very limited number of employees and the requirement to have committees and policies in place needs to be aligned and proportional to the size and nature of captives," Ms. Roedbro said. "The key will be with the implementing measures that CEIOPS is currently consulting upon and we need to ensure that these will be principles-based and proportional. In this sense, the more important consultation papers for captives will be issued in June or July."

Paul Hopkin, technical director of the London-based Assn. of Risk and Insurance Managers, agreed.

"We welcome proportionality and the recognition of the lower-risk nature of captives," he said.

The main question remaining is whether this principle will apply to corporate governance guidelines, "because, if it does not, then it

would represent a significant extra burden for captives. Proportionality should be applicable across the directive," Mr. Hopkin said.

Pierre Sonigo, general secretary of the Federation of European Risk Management Assns., said it is critical that the proportionality principle be extended throughout the directive and not be limited to basic capital requirements.

"I think the latest version of Solvency II is still good for captives overall. Right now, the fact that Solvency II specifically recognizes captives is an advance. But it is important that the way capital requirements are calculated under the minimum capital requirements and standard capital requirements is done on the same basis. We need to ensure that the solvency capital requirement is calculated to also allow for proportionality as well as the (minimum capital requirement)," Mr. Sonigo said.

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## AIG's brand falls in value, but not as far as you'd think

American International Group Inc. became one of the world's most valuable brands with its sponsorship of British soccer powerhouse Manchester United.

Last year, according to London-based consultancy Brand Finance P.L.C., U.S.-based AIG was No. 37 in a ranking of the top 500 global brands as it continued its more than \$80 million sponsorship of the club that describes itself as "the world's most popular football team."

It is little surprise that the insurance company, given the hammering its image has taken during the past year amid ongoing financial troubles, has slipped in the 2009 ranking of global brands.

It may surprise some, however, that the insurer's brand still ranks No. 132 among the most valuable global brands, according to the consultant.

Insurer brands ranked higher than AIG are France's AXA, No. 45; Germany's Allianz, No. 65; Italy's Generali, No. 80; Britain's Aviva, No. 103; and the Netherlands' ING, No. 131.

The BrandFinance Global 500 2009 ranking rates brands' value based on their strengths, risks and future potential relative to their competitors.

The No. 1 brand was Walmart owned by U.S.-based Wal-Mart Stores Inc., followed by Coca-Cola, IBM, Microsoft and Google.

# Business Insurance END PAGE

Contributing: Jeff Casale, Sarah Veysey, Joanne Wojcik



Former ballplayer Lenny Dykstra's dream of being a high-paid insurance agent to professional athletes ended after his proposed partner, AIG, pulled out.

## Dykstra fails to nail insurance sales gig

Lenny Dykstra, best known as a scrappy center fielder for the New York Mets and Philadelphia Phillies during the 1980s and 1990s, has been trying his hand as a financial adviser.

However, according to a report on ESPN.com, Mr. Dykstra has been striking out as an annuities salesman. Mr. Dykstra, who writes about investment advice for TheStreet.com and publishes The Players Club magazine, reportedly cut a deal with American International Group Inc.

Under the agreement, Mr. Dykstra would be paid \$90,000 per player he recruited to buy AIG's universal life and income annuity products, but he had to bring in 100 athletes within a year to get the payment, according to ESPN.com.

In last year's preview edition of The Players Club, which offers financial

advice to professional athletes, Mr. Dykstra wrote that he would offer "financial information from AIG that will show players how to build wealth, plan for the future and protect their families," the report said.

However, the plan apparently failed to make it to first base.

After the agreement but before any life and annuity sales were made, AIG applied for billions of federal bailout money, leaving Mr. Dykstra without a payday that would have helped him stave off mounting debts.

According to ESPN, an AIG spokesman said the company decided against the deal. However, Mr. Dykstra said a Dec. 10, 2007, letter from AIG showed that the company was interested in being an "exclusive strategic partner."

## 'Clamp, suction ...now take this pink slip'

A manager at a Wisconsin-based health care provider took the word "immediately" seriously earlier this month and removed a nurse assisting in a surgical procedure to lay her off.

According to the Wisconsin State Journal, Dean Health System said April 8 that it planned to "immediately" lay off 90 employees.

Shortly thereafter, a manager at a clinic removed a registered nurse from a minor surgical procedure to give the nurse the news.

A spokesman for Madison-based Dean Health System reportedly said the action was "clearly...an error in judgment on the part of the manager conducting the layoff."

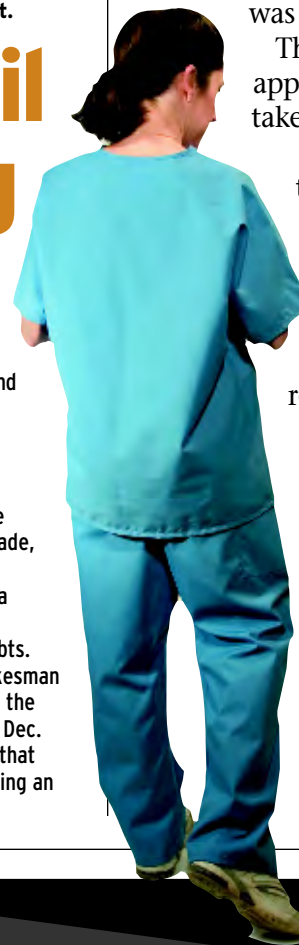
He noted "there was a period of time in which an RN was not present" during the surgery due to the layoff, but the physician and "other clinical staff" were present and the patient involved was "doing fine."

The spokesman said appropriate action would be taken concerning the manager.

"There's all kinds of ways they could have handled this and they didn't do any of them appropriately, I don't think," said Cheryl

Koerwitz, a Dean Medical assistant, according to reports.

While many employers have laid off workers in the current economy, "We're taking these actions not because we're in poor financial health, but to prepare us well for the future," Dr. Craig Samitt, president and chief executive officer of Dean Health, said in a statement.



## Insurance scam not for fainthearted

Faking one's death no longer is a novel way to commit insurance fraud, but a "widow" fainting at a phony funeral certainly elevates the scam to a higher level.

A South Korean man reportedly said he planned the scam in March 2006 after his business ran into financial troubles.

He faked being lost at sea by arranging for his rented leisure boat to be found empty.

Then his wife reported his disappearance to police, allowing her to reportedly recover nearly \$1 million from six life insurance policies he had purchased prior to setting sail.

To further dispel suspicion not only by authorities but friends and family as well, the wife held a funeral service and feigned a faint in front of a group of mourners that were in attendance.

During his three-year disappearance, the wife used the life insurance proceeds to pay off debts, invest in stocks and run a construction business, authorities said.

However, her spending spree came to an abrupt end when police arrested her still-living husband after receiving a tip from his former friends, who said they had heard rumors he was alive.

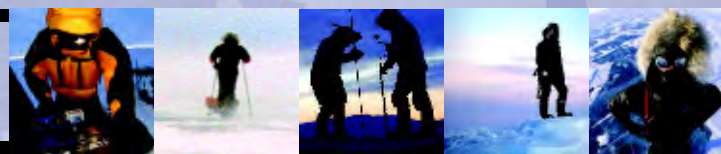
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