

HDHP ENROLLMENT

- Among employers offering a high-deductible health plan in 2014, 24% were linked to health savings accounts and 4% were linked to health reimbursement arrangements.
- In 2014, 20% of employees were enrolled in an HDHP, the same as 2013 and up from 13% in 2010.
- The average deductible in an HSA-linked HDHP in 2014 rose by 5.1% to \$2,205 for single coverage and by 8.8% to \$4,391 for family coverage.

Source: Kaiser Family Foundation

HEALTH CARE BENEFITS

Cost-shifting strategies can backfire

High-deductible theory may fail in practice

BY MATT DUNNING

Poorly managed high-deductible health plans may do the very thing they were designed to avoid — increase their sponsoring employers' long-term health care costs.

The significant out-of-pocket costs that HDHPs require can deter plan members from seeking health care services when they need them and lead to much higher treatment costs down the line.

To head off that possibility, experts advise that employers plan ahead and seed health savings accounts and strategically use other tools associated with consumer-driven health care, such as managing chronic disease treatment programs, among other things.

Last year, one in five U.S.

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PROPERTY/CASUALTY INSURERS

GREENBERG CASE AGAINST FEDS QUESTIONS GOVERNMENT REACH

Challenges U.S. authority to take over AIG in 2008



Maurice Greenberg and other AIG stockholders claim the U.S. government acted "abusively" in its takeover of the insurer.

BY MARK A. HOFMANN

The legal battle pitting former American International Group Inc. Chairman and CEO Maurice R. Greenberg and other AIG stockholders against the government over the terms of AIG's 2008 bailout may — or may not — have lasting significance.

Legal experts are divided on what effect a Greenberg victory would have given the unique circumstances. But some say Mr. Greenberg's argument that he suffered uncompensated damages as a result

See **GREENBERG** page 51

TRIAL SET

- In a separate long-running case, former American International Group Inc. leader Maurice Greenberg and former AIG Chief Financial Officer Howard Smith last week sought permission to ask New York's highest court to dismiss fraud charges against them.

- The move followed a midlevel state appeals court's rejection of their bid to dismiss the 2005 suit accusing them of trying to hide AIG losses through fraudulent transactions and seeking to recoup about \$55 million in bonuses the men received plus interest, Reuters reported.

- The case has set June 25 for trial on the case.

AP PHOTO

AGENTS & BROKERS

Broker raids may test noncompetes

Firms file lawsuits to ward off poachers

BY DOUGLAS McLEOD

A flurry of broker poaching lawsuits may show how seriously the industry takes defections, but such suits face a minefield of legal and practical obstacles.

Enforceability of noncompete agreements depends on the facts of the given case, terms of the employment agreement and the law of a specific jurisdiction.

State laws vary widely and are changing. Some states are moving to limit restrictive covenants while at least one, Georgia, has made them easier to enforce, legal sources say. Courts in the United Kingdom, meanwhile, have imposed restrictions on enforceability similar to those in many U.S. jurisdictions, according to legal sources.

Overall, more jurisdictions are looking skeptically at noncompete agreements as their use and resulting litigation have grown over the last decade, lawyers say.

Employers in many cases have gone "overboard" and "just as a matter of course are throwing noncompetes into all their agreements," Peter A. Lauricella, a partner at Wilson Elser Moskowitz Edelman & Dicker L.L.P. in Albany, New York. "That's why there's been a little bit of a backlash."

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INTERNATIONAL

Windstorm Niklas insured losses could top \$1.6 billion; Caribbean risk pool expands membership; Uber ban upheld.

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DEALS & MOVES

A UnitedHealth unit buys urgent care clinic operator MedExpress, paving its way into the low-cost provider sector.

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Willis offers \$594 million to acquire the portion of French broker Gras Savoye that it doesn't already own.

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Q&A: GRAHAME CHILTON

Grahame Chilton was named CEO of Arthur J. Gallagher's international operations in February. The reinsurance brokerage veteran's career spans more than 30 years. Looking forward, he sees a promising future ahead for his new firm amid some significant changes in the capital structure of the global reinsurance market.

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COMMENTARY

JUDY GREENWALD
SENIOR EDITOR

to settle a lawsuit the agency filed charging discrimination against a transgender individual.

PAGE 14

Employers can't ignore the issue of transgender individuals in the workplace now that the U.S. Equal Employment Opportunity Commission has taken an interest. The EEOC announced this month that a Florida eye clinic agreed

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The Chinese insurance industry remains closely directed by the China Insurance Regulatory Commission.

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Control data breach disputes



Get a handle on cyber risks preemptively when making deals with business partners to help mitigate

commercial liability disputes, says data security attorney Mitzi L. Hill of Taylor English Duma L.L.P.

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Forced to watch 'chick flicks'

A former Bates College employee says she was expected to jog, take tennis lessons and watch "chick flicks" with her boss.

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NEWS

WORKERS COMPENSATION

MINIMUM WAGE INCREASES COULD HIKE COMP COSTS

Employers with hourly workers face uncertainty

BY SHEENA HARRISON

The issue of higher minimum wages is being watched by workers comp experts in the wake of Fight for \$15 protests seeking a \$15 minimum wage across the U.S., and McDonald's USA L.L.C.'s April announcement that it would raise employee pay to \$1 above the locally mandated minimum wage for its corporate stores as of July 1.

In addition, a series of workers compensation reforms proposed in Illinois could increase the state's minimum wage, which sources say could result in higher workers comp system costs for employers with large concentrations of hourly employees.

Some comp experts say pushes for increased pay could raise workers comp benefit amounts for a significant population of injured workers.

"If you're writing a lot of (workers comp) business with minimum wage earners, such as (in) retail, you're going to have a major concern if you're an underwriter," said Joe Picone, Glen Allen, Virginia-based claim consulting practice leader at Willis North America Inc.'s risk control and claim advocacy practice.

Illinois Gov. Bruce Rauner promoted his Illinois Turnaround plan in a statewide tour in April. The plan, posted online, includes several ideas to reduce workers comp



AP PHOTO

Protesters picketed in favor of an increase in the nation's minimum wage in 2013 at a McDonald's restaurant in Denver.

costs in the state, which was named the No. 7 costliest workers comp state in the "2014 Oregon Workers' Compensation Premium Rate Ranking."

Gov. Rauner's proposals include reducing Illinois' workers comp medical fee schedule by 30% for most services, requiring the Illinois Workers' Compensation Commission to use American Medical Association guidelines when determining permanent partial disability awards and tightening causation standards to limit awards to injuries that are caused directly by a person's job, rather than the exacerbation of a pre-existing condition.

The comp proposal also notes

that Illinois is considering a minimum wage increase from the current \$8.25 an hour to \$10 by 2022. That wage hike "should only come in conjunction" with workers comp reforms, as well as reforms to the state's unemployment insurance and tort systems and policies that would give workers a choice of whether to join a union, the plan says.

Rita Nowak, vice president of commercial lines and research for the Property Casualty Insurers Association of America in Des Plaines, Illinois, said the association hasn't watched the minimum wage issue as closely as it has

See **MINIMUM** page 48

CYBER RISK

Insurers mull proposed cyber rules

BY MARK A. HOFMANN

The National Association of Insurance Commissioners' cyber security regulatory guidance for the insurance industry is receiving generally positive reviews.

The guidance spells out a dozen principles for regulators to follow when dealing with insurer-related cyber security issues. The principles, unveiled April 17, "will serve as the foundation for protection of sensitive consumer information held by insurers as well as insurance producers and guide regulators who oversee the insurance industry," NAIC President Monica J. Lindeen said in a statement.

Ms. Lindeen also serves as Montana commissioner of securities and insurance.

"It was certainly an appropriate step for the NAIC to take, with all the increased intense interest in cyber security" said Paul Tetrault, state and policy affairs counsel for the Indianapolis-based National Association of Mutual Insurance Cos. The breaches at health insurance companies "certainly put an intensified focus on cyber security as it relates to insurers."

He said the data breach at health insurer Anthem Inc. made it clear it was urgent for the NAIC to take action.

In separate activity last week, the U.S. House passed legislation that would extend liability protection to companies that share cyber attack information with the Department of Homeland Security, companion legislation to a House-approved measure that would shield private companies that share cyber security threat information without fear of litigation. The Senate reportedly was expected to approve the legislation and the White House also supported passage, saying it believed any concerns could be resolved.

As for the NAIC's plan, it said cyber security regulatory guidance should be "scalable, practical and consistent with nationally recognized efforts such as those embodied in the National Institute of Standards and Technology," according to principles the insurance regulatory group's cyber security task force adopted.

The emphasis on flexibility and scalability is particularly important, observers say.

"Everyone is behind the idea that

See **NAIC** page 49

Nominate leading women

Business Insurance has opened nominations for its 2015 Women to Watch awards program, which identifies 25 women leaders doing exceptional work in commercial insurance, reinsurance, risk management, employee benefits, and related fields such as law and consulting.

Each year's honorees are selected by a panel of senior editors at *Business Insurance* based on various criteria that include recent professional achievements, influence on the marketplace and contributions to the advancement of women in business. The nomination deadline is July 31.

This year's nominees will be profiled in the Dec. 7 issue of *Business Insurance* and recog-

nized at a full-day conference and a special 10th anniversary gala dinner on Dec. 15 at the Grand Hyatt New York.

The conference, which is open to the public, will feature educational sessions and panel discussions on facilitating women's career advancement. It also provides a networking opportunity for past and present honorees and others who attend.

Nominations should be submitted online at www.businessinsurance.com/women2015nominate, where an FAQ section is available.

If you have further questions, contact Gavin Souter, editor of *Business Insurance*, at gsouter@businessinsurance.com.



4/27/15

ONLINE
FEATURES

IN FOCUS VIDEO

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GALLERY



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www.BusinessInsurance.com/DronesGallery

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NEWS

REINSURANCE

ANOTHER SUITOR CREATES
BERMUDA MERGER TRIANGLE

PartnerRe gets second offer from Italian buyer

BY MATTHEW LERNER

Exor S.p.A.'s \$6.4 billion all-cash offer to acquire Bermuda reinsurer PartnerRe Ltd. introduced a new player into the already bustling reinsurance merger and acquisition space that presents a financial alternative to the strategic merger proposed by Axis Capital Holdings Ltd.

The April 14 offer is a direct challenge to the \$11 billion all-stock merger proposed in January by Axis Capital Holdings Ltd., giving PartnerRe shareholders two very different offers to consider while putting Axis on the spot.

In an April 15 investor call, Exor Chairman and CEO John Elkann said "the reinsurance sector continues to earn attractive returns," acquiring PartnerRe would diversify Exor's portfolio and offer the "opportunity to exploit synergies between Exor investment activities and the PartnerRe investment portfolio."

In a statement, PartnerRe, which had already signed an amalgamation agreement with Axis, said only that it will review Exor's proposal.

"I think it puts the Partner shareholders in a fortunate position because now they have two offers," said Cliff Gallant, an analyst at Nomura Securities Interna-



tional Inc. in San Francisco, adding that Exor is not one of the typical players in reinsurance M&As.

Italy's Exor S.p.A. is a European-listed investment company with a net asset value of more than €10 billion (\$10.81 billion), according to its website. It holds a roughly 29% stake in Fiat Chrysler Automobiles.

Analysts see value in both offers. "Numerically, it's a superior offer," Amit Kumar, New York-based vice president and senior analyst of insurance at Macquarie Capital (USA) Inc., said of Exor's bid.

"With the other offer (by Axis),

See **REINSURERS** page 48

CAPTIVES

States revise
captive rules
to win business

BY JERRY GEISEL

From the newest to the oldest domiciles, at least half a dozen states are amending their captive insurance laws to increase their appeal to current and potential sponsors.

States that have made major changes include Georgia, which slashed premium taxes paid by captives; Tennessee, which opened the door for captives to write workers compensation risks; and Montana, which now allows public-sector entities in the state, such as cities and counties, to form captives.

Regardless of whether the changes are major or relatively minor, the motivation among the 30 states with captive laws is the same.

"There is a healthy competition, as states want to be sure they don't lose business to other states," said Brady Young, president and CEO of captive manager Strategic Risk Solutions Inc. in Concord, Massachusetts.

"Lawmakers are always looking to make their captive statutes a little more user-friendly vis-a-vis their competitors," said Tom Jones, a partner at McDermott, Will & Emery L.L.P. in Chicago.

For example, Georgia lawmakers approved and sent to Gov. Nathan Deal legislation that would slash premium taxes paid by captives.

Under current law, captives pay the same 4.75% tax rate as commercial insurers. But under the proposal before the governor, Georgia's captive tax rate would be cut to 0.4% on the first \$20 million in premiums and 0.3% on premiums above \$20 million. In addition, the measure would cap the maximum premium taxes paid in a year at \$100,000.

State lawmakers "are trying to make Georgia friendlier to captive sponsors. Until now, Georgia never has been able to compete with other domiciles," said Ellen Charnley, a managing director in the San Francisco office of Marsh USA Inc.'s captive solutions practice.

Georgia had just nine captives at year-end 2014, down from 13 the prior year.

But with the changes to the state's captive statute, "The future is very exciting," said Anton Hayward, a partner with Bennett

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WELLNESS

Federal wellness guidance
receives qualified welcome

BY MATT DUNNING

Health benefits experts say there are some holes that need to be filled and clarifications that need to be made in long-awaited federal rules that would govern the use of financial incentives in workplace wellness programs.

The rules proposed April 17 by the U.S. Equal Employment Opportunity Commission include stricter limits on the structure and dollar value of incentives that employers can use to drive employee participation and better health outcomes

through a wellness program, as well as new notification requirements for employers that collect workers' medical information.

The proposals, long anticipated due to conflicts between the Americans with Disabilities Act and the federal health care reform law, have gotten a generally positive reception from business groups and health benefits experts, though many say changes are needed.

"The proposed rules clarify a

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WELLNESS RULES

If enacted as written, the EEOC's proposed rules for workplace wellness programs would:

- Limit participation-based and health-contingent wellness incentives to 30% of the total annual cost of self-only coverage under an employer's health plan.
- Limit smoking cessation incentives to 50% of the total annual cost of self-only coverage, provided employees are not required to provide medical information.
- Bar employers from limiting or denying group health coverage for employees who do not participate in wellness programs or activities.
- Require employers that collect employee medical information through wellness-related measurement to notify participants about the intended use and custody of their information.

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Source: Internal analysis of 2013 data published by SNL Financial.



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LLOYD'S SYNDICATES BALLOON AS BUYERS SEEK BIGGER PARTNERS

Merger trend may put squeeze on midsize rivals

BY SARAH VEYSEY

The recent uptick in mergers and acquisitions of Lloyd's of London business is resulting in syndicates that are very large by the market's historical standards.

But a perceived need for greater size in order to stay competitive is one factor driving that M&A activity, experts say.

For example, the \$4.3 billion merger of XL Group P.L.C. and Catlin Group Ltd., which is slated to be finalized in the coming weeks, will result in a multiline syndicate that will write as much as 10% of the business that goes through Lloyd's.

But there still is a place for smaller specialist players offering coverage such as fine art and specie, experts say.

It is midsize syndicates that are neither large nor niche that may find themselves struggling to compete, they say.

To an extent, scale has always been significant for syndicates at Lloyd's, but current trends may be adding to their desire to grow, said Mark Nicholson, credit analyst at Standard & Poor's Corp. in London.

One trend is that many cedents now buy less reinsurance and want smaller panels of reinsurers, meaning they wish to deal with larger counterparties, Mr. Nicholson said.

In addition, the cost of complying with the Solvency II risk-based capital regime, which goes into effect in Europe next year, may

"If you have a strong reputation in specialists business, you are probably seeing the same business that you would have."

Mark Nicholson,
Standard & Poor's Corp.

feel disproportionately severe to smaller entities and drive the desire for greater scale, he said.

Still, "if you have a strong reputation in specialists business, you are probably seeing the same business that you would have" previously, he said.

Lloyd's is known for its entrepreneurial culture and "by definition, some of that (business)

is small stuff," said Eamonn Flanagan, head of the Liverpool, England, office of Shore Capital Group Ltd.

"If all the focus is on size and scale, then you risk losing some of that entrepreneurial spirit" — something that Lloyd's is keen to guard against, he said.

"On the other hand, some of the losses are starting to look super-sized," he said, pointing to the combined estimated insured losses from hurricanes Katrina, Rita and Wilma in 2005 of about \$65 billion, and the Japanese earthquake and tsunami in 2011, which caused insured losses of about \$35 billion, as examples.

When large losses do occur, syndicates need to be sure they can pay their share and still underwrite the following day, so size becomes a concern, he said.

For "larger-ticket business," such as property catastrophe, brokers often prefer syndicates that can offer larger line sizes, allowing them to place more business with fewer syndicates, said Anna Bender, associate director at Fitch Ratings Ltd. in London.

See LLOYD'S page 48



CEDRIC WEBER/SHUTTERSTOCK.COM

LARGEST SYNDICATES

Largest Lloyd's of London syndicates, by 2014 gross written premiums

Syndicate	Managed by	2014 premiums
2003	Catlin Underwriting Agencies Ltd.	£1.99 billion (\$2.98 billion)
2001	Amlin Underwriting Ltd.	£1.54 billion (\$2.30 billion)
2987	Brit Syndicates Ltd.	£1.30 billion (\$1.95 billion)
4472	Liberty Managing Agency Ltd.	£1.23 billion (\$1.84 billion)
510	Tokio Marine Kiln Syndicates Ltd.	£1.10 billion (\$1.65 billion)
2623	Beazley Furlonge Ltd.	£1.03 billion (\$1.54 billion)
1084	Chaucer Syndicates Ltd.	£898.8 million (\$1.35 billion)
2999	QBE Underwriting Ltd.	£887.6 million (\$1.33 billion)
33	Hiscox Syndicates Ltd.	£832.4 million (\$1.25 billion)
4444	Canopus Managing Agents Ltd.	£726.8 million (\$1.09 billion)

Source: SNL Financial L.C.

LIABILITY & LITIGATION

Insurer not liable for settlement made without its permission

BY JUDY GREENWALD

A Georgia Supreme Court ruling that an insurer is not liable for refusing to indemnify a policyholder that settled a case without the insurer's permission is out of step with the vast majority of comparable cases around the country.

But policyholder attorneys warn that other insurers involved in coverage disputes are likely to cite the Atlanta-based court's unanimous ruling in *Piedmont Office Realty Trust Inc. v. XL Specialty Insurance Co.*

Johns Creek, Georgia-based Piedmont Office Realty Trust purchased two liability insurance policies, a \$10 million primary policy from Liberty Surplus Insurance Co., a unit of Liberty Mutual Insurance Group, and a \$10 million excess policy from Stamford, Connecticut-based XL Specialty, according to last week's ruling.

XL's excess policy provided that the insurer would pay only for a loss that Piedmont became legally obligated to pay as a result of a securities claim. It also contained a "consent to settle" clause, which said no settlements would be made without the insurer's written consent, according to the ruling. In addition, the policy included a "no action" clause, which stated that no action would be taken against the insurer if there had been full compliance with the policy's terms.

Plaintiffs brought a securities class action against Piedmont seeking more than \$150 million in damages. Both sides eventually agreed to mediate the claim, according to the ruling.

By that time, Piedmont had exhausted its primary policy limit as well as another \$4 million of its excess policy "simply by defending itself," according to the ruling.

Anticipating a settlement, Piedmont

sought XL's consent to resolve the claim for the remaining \$6 million under the excess policy, but XL agreed to contribute only \$1 million more to the settlement.

Without further notice to XL or obtaining its consent, Piedmont then agreed to settle the underlying lawsuit for \$4.9 million. Piedmont then demanded XL provide coverage for the full settlement amount, which XL refused.

Piedmont then sued XL alleging breach of contract and bad faith. An Atlanta federal judge dismissed the suit. Piedmont appealed and the 11th U.S. Circuit Court of Appeals in 2014 asked the Georgia Supreme Court to consider the case.

In its unanimous ruling last week, the Georgia high court agreed the case against XL should be dismissed.

"In sum, absent XL's consent to the settlement, under the terms of the policy, Pied-

mont could not sue XL for bad faith refusal to settle the underlying lawsuit in the absence of a judgment against Piedmont after an actual trial. It follows that the district court didn't err in dismissing Piedmont's complaint," the state Supreme Court ruled.

Attorneys in the case declined to comment or could not be reached for comment.

Black-letter rule

The ruling "creates a black-letter rule that the insurance company can withhold consent to a settlement and force the policyholder to go to trial, and (the ruling) doesn't seem to be supported by the policy language here," Charles P. Edwards, a partner at law firm Barnes & Thornburg L.L.P. in

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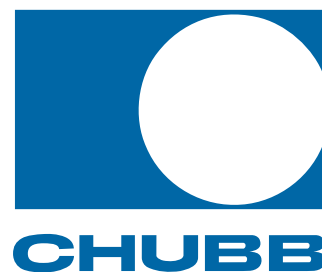
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Willis offers \$594 million for rest of Gras Savoye

■ Willis Group Holdings P.L.C. has offered approximately €550 million (\$594.4 million) to acquire the remaining 70% of French broker Gras Savoye & Cie. that it does not currently own. Following the completion of the transaction, Gras Savoye will become part of Willis Group but will maintain its name and brand in key markets, including France. Together, the two firms combined would have a presence in 131 countries, 84 of which would be wholly owned operations, the broker said in a statement. Willis made its initial investment in Gras Savoye in 1997 and owned as much as 49% of the company. In 2009, Willis entered into an agreement with the company's family shareholders and Astorg Partners in which each entity assumed nearly 32% ownership. In 2013, Willis extended a call option to buy all of Gras Savoye until June 2016. The transaction is expected to close on or around Dec. 31, subject to customary regulatory consents and approvals, and acceptance of the firm offer by Gras Savoye's shareholders. Bringing the deal forward to 2015 "shows our enthusiasm" for the deal and "there was no advantage in waiting for a further six months," said Dominic Casserley, CEO of Willis, in an interview. Willis expects to see "significant revenue synergy opportunities" as a result of the deal, he said.

Clock ticking for employers to get reinsurance fee refund

■ Employers that realize they overpaid a health reform law-mandated "reinsurance" fee generally have until April 30 to seek a refund from the Centers for Medicare and Medicaid Services, regulators have disclosed. In little-noticed guidance, CMS said it "is aware" that some employers may have overpaid the Transitional Reinsurance Program fee. Overpayments could occur if an employer included health care plan participants, such as retirees enrolled in Medicare and receiving supplemental coverage from their former employers, who should have been excluded, as stipulated under 2013 HHS regulations, when calculating the amount they owed. The 2014 fee is \$63 per plan participant. Employers had until Dec. 5, 2014, to file an enrollment form with HHS that automatically calculated the amount of the fee. CMS says employers that now realize they gave an incorrect health plan enrollment count in filing the form should refile the form to receive a refund. The deadline for employers to refile the form is April 30, or 90 days from when they originally filed the form, whichever is later. Also, "it appears that in addition to refiling the form, plan sponsors must email a refund request to CMS at reinsurancecontributions@cms.hhs.gov," benefit consultant Buck Consultants at Xerox reported in an alert.

Case over hiring women on oil rigs settles

■ An Oklahoma oil drilling company has reached a \$400,000 settlement with the U.S. Equal Employment Opportunity Commission in a case in which it was charged with systemic sex discrimination, the agency said. Women who applied for jobs at Tulsa, Oklahoma-based Unit Drilling Co., a subsidiary of Unit Corp., were told that the company did not hire women because it only had "man camps," that women

were "too pretty" and that their presence would distract the men, the EEOC said in a statement. Under the consent order resolving the case, in addition to paying the \$400,000 to five women whom the EEOC said were denied jobs, the company will change its policies and provide sex discrimination training, among other measures. "The women in this case were qualified and interested in working on oil rigs as floor hands in order to support themselves and their families," Phoenix-based EEOC regional attorney Mary Jo O'Neill said in a statement... We expect that this settlement will make Unit Drilling change its practices and finally consider and hire qualified women on its rigs." A company spokesman could not immediately be reached for comment.

ADM may use drones to log crop insurance claims data

■ Archer Daniels Midland Co. plans to use drones to gather data on crop insurance claims as soon as the summer of 2016, its risk services head told Reuters. ADM's Crop Risk Services Inc. won clearance to use drones earlier this month from the Federal Aviation Administration, which currently bans their commercial use, and will begin testing the technology in the U.S. Midwest this year. The unmanned aircraft can gather data about crop damage from hail, wind, flooding and drought, and automatically upload the information to the company's claims software, Greg Mills, president of ADM CRS, said in a telephone interview. The company is one of a small number of businesses with agriculture connections, including Monsanto Co.'s Climate Corp. and Trimble Navigation Ltd., that have received exemptions to the FAA's ban on commercial drone use. Crop insurance is used by farmers to protect their income from losses caused by natural disasters. About 90% of planted farmland is covered by insurance every year.

Reuters

Whistleblowing compliance officer to get \$1.5 million SEC award

■ A compliance officer will receive a whistleblower award of between \$1.4 million and \$1.6 million, according to the U.S. Securities and Exchange Commission. The SEC said in a statement that the compliance officer had a "reasonable basis" to believe the disclosure to the SEC was necessary to prevent "imminent misconduct from causing substantial financial harm to the company or investors." The SEC did not identify either the officer or the company. By law, the SEC cannot reveal information that might directly or indirectly reveal a whistleblower's identity. "When investors or the market could suffer substantial financial harm, our rules permit compliance officers to receive an award for reporting misconduct to the SEC," said Andrew Ceresney, director of the SEC's Division of Enforcement, in the statement. "This compliance officer reported misconduct after responsible management at the entity became aware of potentially impending harm to investors and failed to take steps to prevent it."

NFL concussion settlement wins judicial approval

■ A federal judge in Philadelphia on Wednesday granted final approval to a settlement in a

class action lawsuit brought by more than 4,500 former players against the National Football League for concussion-related injuries. In a seven-page ruling, U.S. District Judge Anita B. Brody said she found the settlement agreement "fair, reasonable and adequate" and approved it in its entirety. According to the New York Times, the settlement could cost the NFL more than \$1 billion and is designed to provide payments to players for up to \$5 million each if they prove to have certain neurological conditions. Christopher Seeger, co-lead counsel for the retired player plaintiffs and partner at Seeger Weiss L.L.P., said he couldn't say when money will reach the affected players, estimating that that it would take 90 to 120 days to get a claims network in place. He said he has "modest concern" that future appeals from objecting class members could derail or delay the settlement. "The opt outs are excluded from the settlement class pursuant to request and are not bound by the terms of the settlement agreement or this Final Order and Judgment," Judge Brody wrote in her ruling.

Aspen repositioning resources as reinsurance market shifts

■ Despite solid first-quarter financials, Hamilton, Bermuda-based Aspen Insurance Holdings Ltd. is repositioning itself amid persistent soft reinsurance prices. The insurer and reinsurer reported first-quarter net income of \$128.0 million, up 6.7% from the same period a year ago. Net written premiums rose to \$763.2 million, up 9.4%. However, the company's first-quarter combined ratio rose to 1.9 percentage points 88.9%. In a conference call with analysts, Aspen CEO Chris O'Kane credited the company's positive numbers to its willingness to shift capital away from unprofitable lines of business. This was especially true in its reinsurance segment, Mr. O'Kane said. With that strategy, Aspen is moving away from writing property catastrophe reinsurance to more specialty reinsurance, which now accounts for 22% of the gross written premiums in its reinsurance unit, he said. On the insurance side, Aspen is looking to write more international business through its Lloyd's of London platform, Mr. O'Kane said. Additionally, Aspen said Rupert Villers, chairman of Aspen Insurance and president of Aspen International Insurance, will step down at the end of October, Aspen said in a statement. He will stay on as president until the end of July and retain the role of chairman until his departure. Ann Haugh will succeed him as president of International Insurance at the end of July in addition to her current responsibilities as global chief operating officer of Aspen Insurance.

Funding of big pension plans decreased in March

■ The funded status of very large pension plans sponsored by public companies dipped in March as a slight decline in interest rates boosted the value of plan liabilities, according to a Milliman Inc. survey. Defined benefit plans offered by U.S. employers with the 100 largest pension programs were an average of 81% funded as of March 31, down from 81.2% as of Feb. 28. At the end of March, the plans had \$1.483 trillion in assets and \$1.832 trillion in liabilities, resulting in a funding deficit of \$349 billion vs. a funding shortfall of \$343 billion at the end of February. "These pensions continued to languish in the low-interest-rate doldrums," John Ehrhardt, principal and consulting actuary in Milliman's New York office, said in a statement.

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Niklas insured losses could top \$1.6 billion

■ Insured property losses from Windstorm Niklas, which hit Europe in March, will be between €750 million and €1.5 billion, (\$810.5 million and \$1.62 billion), according to catastrophe modeler Risk Management Solutions Inc. Losses in Germany will account for about three-quarters of the total, RMS said in a statement. The estimate includes damage to property, autos, forestry and agriculture and direct business interruption claims, RMS said. The storm, which hit during the last week of March, also caused widespread damage in Austria, Belgium, the Czech Republic, France, Ireland, Luxembourg, the Netherlands, Poland, Switzerland and the United Kingdom.

Broker network reorganizes board

■ Independent insurance broker alliance Brokerslink has made several leadership changes to drive growth and revenue, the group said. Brokerslink, which restructured from a nonprofit association to a for-profit brokerage during the fourth quarter of 2014, named Porto, Portugal-based MDS Group boss José Manuel Fonseca as its CEO, the group said in a statement. Mr. Fonseca was previously chairman of Brokerslink. The group also said Jamie Crystal, executive vice president of Crystal & Company, will succeed Mr. Fonseca as chairman. Grégory Allard, executive vice president of Filhet Allard S.A., is now deputy chairman, and Shaun Hooper, CEO for international with Cooper Gay Swett & Crawford Ltd., also has joined the board, replacing Steve Jackson, the Latin America regional commercial director of Cooper Gay, who will now be Brokerslink's regional director of the Americas, according to the statement. Brokerslink said the role of chairman will rotate among members to enable Brokerslink to benefit from a range of management styles.

Berlin court upholds Uber ban over insurance

■ A Berlin court upheld a ban on the U.S.-based online taxi service Uber, which allows users to summon a ride with their smartphones, saying the company did not comply with German laws on the carriage of passengers. The ruling by the Berlin-Brandenburg Higher Appeals Tribunal confirms a ban from last August that prohibited

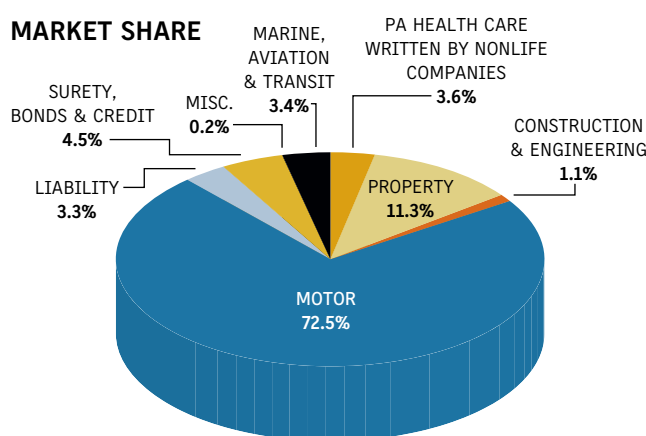
PROFILE: CHINA

\$100.27
BILLION

Despite many free-market features, the Chinese insurance industry remains closely directed by the China Insurance Regulatory Commission, which in turn is closely directed by China's Communist Party leadership. China plans to liberalize controls over auto rates in 2016, but there may be pressures to act more quickly. China's two main technical priorities are enhancing consumer protection and introducing a risk-based solvency system.

◀ 2013 P/C gross premiums

MARKET SHARE



Source: Axco Global Statistics/Industry Associations and Regulatory Bodies



POPULATION

1.36 billion

DOMESTIC P/C INSURERS

41

2015 GDP CHANGE (PROJECTED)

6.9%

MARKET DEVELOPMENTS

UPDATED
FEBRUARY 2015

- CIRC has set a three-phase timetable for the development of a national disaster insurance mechanism, with implementation in 2020.
- In 2014, Starr Indemnity & Liability Co. received approval to complete the first foreign takeover of a domestic Chinese insurer.
- In September 2013, a fire at the SK Hynix semiconductor plant resulted in the largest fire loss in Chinese history. Loss estimates range up to \$1.25 billion, including business interruption.
- CIRC has issued proposed regulations for the supervision and risk management of corporate groups that include insurance subsidiaries but where the holding company is not an insurance entity.
- Draft regulations for the Second-Generation Solvency Supervision System of China were published in May 2014. The earliest full implementation date is Jan. 1, 2016, but it may be delayed.

COMPULSORY INSURANCE

Many classes of insurance are compulsory, including:

- Auto third-party liability
- Liability for transportation of hazardous materials
- Work-related injury for coalminers and hazardous construction workers
- Medical malpractice
- Environmental liability insurance
- Nuclear liability

NONADMITTED

Nonadmitted insurance is not allowed because the law provides that insurance must be purchased from companies licensed to operate in mainland China, excluding Hong Kong, Macao and Taiwan. The only partial exception is international marine cargo.

INTERMEDIARIES

Insurance agents and brokers are not allowed to do business in mainland China without being authorized by CIRC. Intermediaries licensed in Taiwan, Hong Kong or Macao are not allowed to do business in mainland China without local authorization.

MARKET PRACTICE

There are widely differing approaches to insuring foreign multinational risks in China, which range from 100% local coverage to 100% nonadmitted. Because of increasing compliance awareness, more multinational companies are buying local policies, many of which are written on a fronting basis.

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

the service because it did not offer drivers and vehicles licensed to carry passengers or provide full insurance cover. Uber drivers are private citizens who use their own cars to pick up the service's customers. The ride-sharing startup is facing increasing legal challenges across Europe and has been criticized worldwide over how it pays drivers, charges passengers and ensures their safety.

Reuters

Cooper Gay acquires Brazilian broker network

■ London-based Cooper Gay Swett & Crawford Ltd. has entered a partnership with Sao Paulo-based broker network GC do Brasil, the wholesale and reinsurance broker said. The partnership would give GC do Brasil's 67 retail broker members wider access to

local and global markets, Cooper Gay said in a statement. GC do Brasil currently places about 500 million Brazilian reais (\$164.4 million) of commercial and personal lines premium volume annually.

Caribbean risk pool expands membership

■ The Council of Ministers of Finance of Central America, Panama and the Dominican Republic and CCRIF S.P.C., formerly known as the Caribbean Catastrophe Risk Insurance Facility, have signed a memorandum of understanding that enables Central American countries to formally join the facility to access sovereign catastrophe risk insurance, the World Bank said in a statement. The Nicaraguan government also has signed a participation agreement with CCRIF for Nicaragua to

become the first Central American country to formally join the facility. The other member nations of the Council of Ministers of Finance of Central America, Panama and the Dominican Republic are expected to formally join the Caribbean facility later this year and in 2016, said the statement. Established in 2007, CCRIF is the world's first multicountry catastrophe risk pool that offers sovereign insurance to its members against hurricanes, earthquakes and excess rainfall.

Scottish asbestos bill under fire from insurers

■ A proposed bill that would enable the Scottish government to recover the cost of treating victims of asbestos-related disease from insurers could push up insurance rates and may even be unlawful,

according to the London-based International Underwriting Association. In its response to a comment period on proposals by Scottish Parliament Member Stuart McMillan that the Scottish government should be able to retroactively recover medical costs incurred by the U.K. National Health Service in treating victims of asbestos-related diseases, the IUA said such a move would be inequitable. "We fully support the overall policy objective of ensuring that those suffering from asbestos-related diseases are treated quickly and effectively. If an organization has acted negligently or breached a statutory duty, then any insurance policy will respond in the normal way and compensation provided," Chris Jones, director of market services at the IUA, said in a statement. "However, insurers cannot be expected to meet costs that are not within original policy terms."

Tokio Millennium Re opens London branch

■ Tokio Millennium Re A.G., the Zurich-based reinsurance arm of Tokio Marine & Nichido Fire Insurance Co. Ltd., has received authorization to establish a U.K. branch and will begin writing business in the United Kingdom on July 1. The London-based branch of Tokio Millennium Re will write the new and renewal business formerly written by London-based Tokio Millennium Re U.K. Ltd., Tokio Millennium Re's affiliate, which will stop accepting business effective July 1, Tokio Millennium Re said in a statement. The new branch will offer short- and long-tail reinsurance products to customers in the United Kingdom, Republic of Ireland, Africa, Middle East, Asia and Latin America, as well as specialty treaty reinsurance to global customers previously written by Tokio Millennium Re U.K. Ltd., according to the statement. Takayuki Sumi, CEO of Tokio Millennium Re U.K., will become head of the U.K. branch, while Tom Jackson, chief underwriting officer of Tokio Millennium Re U.K., will become head of underwriting.

Founding CEO of ANV resigns

■ R. Matthew Fairfield has stepped down as CEO of ANV Holdings B.V., effective immediately, the Amsterdam-based specialty insurer said. ANV, which operates syndicates 1861, 5820 and 779 at Lloyd's of London, said Lynsey Cross, chief of staff at ANV, will serve as interim CEO during the search for a replacement for Mr. Fairfield, who founded ANV. "It has been a privilege to lead ANV to the position it has achieved today, with over \$1 billion of managed premium, producing growing profits and with a reshaped business and team to go forward to create a truly differentiated competitor," Mr. Fairfield said in a statement.

Allied World reports net income drop

■ Allied World Assurance Co. Holdings A.G. saw net income drop 29.7% to \$124.4 million as expenses rose sharply and the company's combined ratio worsened in the first quarter of 2015. Revenues at the Zug, Switzerland-based insurer and reinsurer slipped 2.3% to \$880.6 million, and net premiums written were almost flat, rising just 0.1% to \$772.5 million. Net investment income dropped 6.4% to \$44.6 million, and

the company's combined ratio worsened to 88.1% from 79.9% in the year-ago period. Expenses hurt results, rising 20.3% overall to \$527.7 million, with net losses and loss expenses rising 18.1% to \$325.2 million. First-quarter losses at Allied World included three large property claims totaling \$12.8 million plus \$3.5 million on the March Germanwings GmbH airline crash in the French Alps, according to Marshall J. Grossack, executive vice president and chief actuary,

speaking in the company's earnings call.

German regulator probing Deutsche Bank

■ German financial watchdog Bafin is expected to finish its own investigation into the activities of Deutsche Bank's traders in May or June, and a supervisory source said it would incorporate the find-

ings of authorities in the United States and the United Kingdom. London, New York and Washington imposed a combined record fine of \$2.5 billion on Germany's largest bank, but Bafin is not expected to impose a large penalty and will instead focus on responsibility for wrongdoing, the source said. This focus comes despite recent revisions to Germany's banking law that allow Bafin to impose fines of up to 10% of annual net turnover or double

the amount of proceeds gained by breaking banking rules. Bonn-based Bafin also has the right to dismiss a bank's uppermost executives it judges to be unqualified or untrustworthy. Bafin has already concluded that Deutsche's co-Chief Executive Anshu Jain, who headed the group's investment bank when some of the misconduct took place, was not aware of, or part of, possible attempts to manipulate interest rates.

Reuters

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GALLAGHER INTERNATIONAL LEADER VIEWS CHANGING INDUSTRY

Q What are your ambitions for Arthur J. Gallagher's international operations?

A My ambitions for the future of Arthur J. Gallagher's international operations is that I want us to be an integrated, major player in every territory and every class that we want to be in — we only want to be somewhere if we are a top player.

I want the business to be dynamic, integrated and “the business to watch.”

In the short term, I want to give stability and leadership and empower people to run the business, and to make sure team members have the same excitement for the business that I do. I want there to be a buzz about the business, so that people enjoy working here and customers and clients enjoy doing business (with us).

Q How will your previous experience help you in your new role?

A (We) took Benfield from being a single office to a business with 40 offices — and that did include both organic growth and acquisition.

Q&A

There have been acquisitions here, and there will continue to be a need to integrate those. We've already set up a new M&A team here and appointed Oliver Homer (previously group head of M&A at Cooper Gay Swett & Crawford) to lead that. I think I can plan well. I feel excited. I can bring stability and strong leadership to integrate the business.

Q Why did you set up Capsicum Re?

A I am a strong believer that this is a relationship business, and I

felt that the reinsurance broking industry had started to forget that. I felt that there was an opportunity with the right partner — and Arthur J. Gallagher was the right partner — to build out a good reinsurance franchise. This is our first full year of trading, and we will place about \$1 billion of business into the market.

Q What are the biggest challenges facing insurance and reinsurance brokers currently, and how can they meet those challenges?

A Undoubtedly, the biggest challenge is the amount of (insurance-linked securities) capital and capital providers seeing this as an asset class — then they can provide capital which takes on risk. We are fast seeing two distinct parts (of the market): capital that will take risk for a price that will become more transparent, and distribution-broking services and also MGA and MGU business. The challenge is to decide whether you are capital or you are distribution. Distribution is the business that Arthur J. Gallagher and Capsicum



GRAHAME CHILTON

ARTHUR J. GALLAGHER

reinsurance brokerage of which he was CEO, to Aon P.L.C. He sat down with *Business Insurance* Senior Editor Sarah Veysey to discuss his new role and the challenges brokers face. Edited excerpts follow.

Grahame Chilton was named CEO of Arthur J. Gallagher's international operations in February, a role that will take effect after all regulatory approvals are in place. His career spans more than 30 years. In 2013 he founded specialist reinsurance broker Capsicum Re, a joint-venture with Gallagher. He previously was chairman of Aon Benfield Group Ltd., having overseen the sale of Benfield Group Ltd., the

are in. And then the challenge is how you play in the customer to the capital.

For reinsurance brokers, the challenge is those sources of capital but also consolidation — there is less reinsurance being bought so there will be less reinsurance brokerage.

Q What does the current wave of M&A in the industry mean for buyers and brokers?

A (M&A among brokerages) is a particular opportunity for Arthur J. Gallagher because you have disaffection within (many) brokerages because companies are being put together that were never meant to be together and there will be brokers and clients that are disaffected by that. And they will seek solace elsewhere. There are opportunities to recruit people to come and work here — it is a nice place to work.

COMINGS & GOINGS

UP CLOSE: RENÉ L. SIEMENS

LOS-ANGELES-BASED PARTNER
Covington & Burling L.L.P.

PREVIOUS POSITION: Los Angeles-based partner with Pillsbury Winthrop Shaw Pittman L.L.P.

LOOKING FORWARD TO: Growing Covington's brand-new Los Angeles office.

GOALS FOR NEW POSITION: Help to build Covington's leading policyholder insurance coverage practice and establish it more deeply in Southern California.

CHALLENGES FACING INDUSTRY: Pricing and meeting market demand for coverage of emerging risks like cyber losses.

INDUSTRY OUTLOOK: Robust.

FIRST INDUSTRY JOB: Litigation associate at Heller Ehrman L.L.P.

WHAT SURPRISED ME: How interesting insurance recovery work is. I had originally planned to be an environmental lawyer but quickly got drawn into insurance coverage work instead.



ADVICE: Find a specialty you enjoy, work hard at it, be a good person, and success will follow.

OUTSIDE THE INDUSTRY, A DREAM JOB: Running an NHL franchise.

HOBBIES: Hockey and yoga.

THING MOST PEOPLE DON'T KNOW ABOUT ME: Before becoming a lawyer, I earned a doctorate and taught philosophy.

FAVORITE MEAL: South Indian vegetarian fare.

FAVORITE BOOK: Ludwig Wittgenstein's *Philosophical Investigations*.

CAN'T-MISS TELEVISION SHOW: Hockey Night in Canada.

BEST CITY: Los Angeles. Few places, if any, can match its climate, diversity and dynamism.

ON A SATURDAY AFTERNOON: Hang out with my two kids, aged 7 and 11.

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EDITORIAL

EXCEPTIONAL MANAGERS HONORED

Insurance is an important tool for risk managers, but it's far from the only implement that risk managers have at hand. Internal capital management strategies, loss control technology and improved claims management are other risk management devices that can all vastly improve risk management programs.

Reading through the profiles of outstanding risk managers in this issue of *Business Insurance*, you'll find numerous examples of the variety of ways that risk managers can create value for their organizations and create safer working environments for employees and others.

For example, the 2015 Risk Manager of the Year®, Kathleen M. Ireland of IBM, has been hugely successful in transforming the risk management program at Big Blue using a wide variety of strategies. Starting with a philosophy that insurance is a last resort, Ms. Ireland and her team have instilled a mindset at IBM that sees losses as an aberration, not just a cost of doing business.

And while, with Ms. Ireland on board, IBM is now more likely to retain risks it once insured, she has won the support of insurers and brokers working with her.

Partnership with the market has also be a hallmark at Huntsman Corp., where 2015 Risk Management Honor Roll® member Brian W. Merkley worked with his insurer to assess the chemical manufacturer's exposures and secure senior management's commitment to make significant investments in loss control. The multimillion-dollar investment has transformed safety at Huntsman.

Laurent Barbagli, also on the 2015 Risk Management Honor Roll®, works with his insurers to seek alternative solutions to address risks at French building materials manufacturer Lafarge S.A. By streamlining the insurance program and making better use of captive insurance, Mr. Barbagli secured significant cost savings for Lafarge.

Captives play a large role in the success of Verizon Communications Inc.'s risk management program, which is managed by our final 2015 honoree, David G. Cammarata. But so to has the company's investment in a proactive approach to claims management.

Congratulations to all the 2015 honorees. We hope you enjoy reading the profiles, which begin on page 16.

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SCHILLERSTROM



COMMENTARY

TRANSGENDER RIGHTS BECOMES A CORPORATE ISSUE

Employers who have not already done so need to start thinking about their policies with regard to transgendered individuals, which has become a hot topic based in part on the U.S. Equal Employment Opportunity Commission's interest in the issue.

The EEOC announced this month that a Florida eye clinic agreed to pay \$150,000 to settle one of the first two lawsuits the agency filed that charged sex discrimination against a transgender individual.

The EEOC in September had charged that Lakeland, Florida-based Lakeland Eye Clinic fired its director of hearing services after she began to present as a woman and informed the clinic she was transgender and transitioning from male to female, though she had performed her duties satisfactorily throughout her employment. The EEOC charged the clinic's actions had violated Title VII of the Civil Rights Act of 1964.

Meanwhile, still in litigation is another transgender EEOC suit filed in September against Detroit-based R.G. & G.R. Harris Funeral Homes Inc., in which the agency charged the firm had fired a funeral director/embalmer because she is transgender. In another case filed in September in Houston against Saks Fifth Avenue, Leyth Jamal charges she was fired in retaliation for complaining to the EEOC that managers and co-workers at the Saks Off 5th outlet store in Katy, Texas, had engaged in gender-based intimidation and harassment regarding her transgender identity in violation of Title VII.

As businesses have seen in the past, after a while litigation on particular issues tends to take on its own momentum. For instance, litigation was filed last week in U.S. District Court in New Orleans in *Tristan*



JUDY GREENWALD
SENIOR EDITOR

Broussard v. First Tower Loan L.L.C., in which Mr. Broussard charges that after a supervisor at the Flowood, Mississippi-based company learned the 21-year-old transgender was listed on his driver's license as a female, he was fired after he refused to be addressed and dress as a female. From a legal standpoint, these cases are not necessarily a slam dunk for the plaintiffs. As

defense employment attorney Robin E. Shea, a partner with Constangy, Brooks, Smith & Prophete L.L.P. in Winston-Salem, North Carolina, points out in her blog, it is still unclear whether Title VII applies to garden-variety "sexual orientation discrimination" where no "gender stereotyping" is involved.

Still, no employer wants to be the target of such a suit. No matter how well-intentioned a firm may be, it is hard for any business to emerge from these situations looking good. Firms would do well to take preemptive action on this issue by being sure their policies address transgender individuals.

And that policy should address one critical, if somewhat uncomfortable, issue: bathrooms. The Office of Federal Contract Compliance Programs already has proposed a new guideline for federal contractors that, among other provisions, requires contractors to provide transgender employees access to bathrooms used by the gender with which they identify.

Companies target each other in data breach disputes

Get a handle on cyber risks pre-emptively when making deals with business partners to help mitigate commercial liability disputes, says data security attorney Mitzi L. Hill of Taylor English Duma L.L.P.

It is difficult to escape the headlines about computer data security, especially regarding credit card breaches, that have dominated the media since Target Corp. was hacked in late 2013. In response, plaintiffs' lawyers have brought class-action lawsuits by the dozens against hacked retailers.

The real next frontier in security breach exposure is likely to come from commercial claims, however, not from consumer claims. Why is that, and what can you do about it?

The consumer bar has been trying for years to tap privacy and data security, with fairly limited success. Although a few high-profile cases have settled, the track record for consumer suits has not been strong. This is due to a number of factors, but mainly because we have no single national law governing data breach issues, and we haven't seen quantifiable harm to individuals after most reported breaches.

As a result, the class actions coming into court are based on laws not designed for electronic data issues. Also, despite persistent headlines about hacking, there has been no pattern of demonstrable consumer injuries: no mass unauthorized use of Social Security numbers, no wave of fraudulent charges to stolen credit cards. Absent specific laws regarding what constitutes protected data, what standard of care has been violated, and what actual harm has occurred, our courts have been reluctant so far to impose liability relating to consumer data breaches.

In the meantime, though, commercial liability disputes are starting to hit the courts, and are much more likely to catch the attention of the judiciary.

Disputes about commercial risk allocation are as old as contracts. They are familiar to judges. They involve sophisticated parties. And nearly every commercial agreement has risk allocation language in it. That gives the parties a way to frame an argument, and a judge a way to analyze and interpret their intent in light of the facts after a breach. In addition, the harms are quantifiable: "it costs my business X dollars directly and Y dollars to cover and mitigate" is easy for a judge to understand.

This means that your informational technology and related agreements are increasingly likely to determine your risks in the case of a breach. The highest-profile example is the issuing banks behind the cards exposed in the Target hack. They sued Target to recover the direct costs they incurred from the breach (new cards, customer relations). Target tried to have the claims dismissed. The court refused. How should this unfold:

Does Target, arguably a victim, have to pay costs its vendors incurred? And how will provisions in old agreements be interpreted regarding allocation of risk (post-breach costs) between parties?

Commercial exposure

Vendor management is likely to become increasingly important as an overall risk management strategy — one that also includes technological protection for personal information, employee training, insurance coverage, and enterprise planning. Standardizing the "asks" in your purchasing contracts and clauses may go a long way toward managing risk.

There are several provisions to consider. Obtaining them all is highly unlikely, unless you have enormous negotiating leverage. Consider this a menu, and see what is available based on the relationship and equities between you and your vendor.

The real next frontier in security breach exposure is likely to come from commercial claims ... not from consumer claims. Why is that, and what can you do about it?

Representations and warranties

At minimum, the vendor should "rep and warrant" that security will perform according to agreed-upon specifications. Ideally, the vendor will have its own (higher) standards that address how secure the system is and what level of effort would be required to penetrate it. A middle ground might be a warranty of performance to "industry standard." In addition to a security warranty, you may want to consider whether you need a warranty as to data integrity: that the vendor's system will not allow your data to suffer loss, impairment, corruption, or similar.

Indemnification

Whether a vendor warrants any standards of security or data integrity, consider asking for coverage of your losses in case of an incident that occurs because of the vendor. Ideally, there would be no limits on the vendor's liability for any indemnity given, but that is likely to be the subject of negotiation.

Insurance

Also consider a requirement of relevant insurance. "Relevant" insurance probably is a cyber liability policy. It is increasingly rare that commercial general liability or professional liability will cover any cyber incident. Cyber policies often are sold modularly. Like a homeowner's policy that does not cover flood, a cyber policy may not cover indirect losses such as business interruption, or losses due to employee malfeasance, or a particular kind of peril like a hack, for example.

Duty to notify and investigate

In addition, you may want to ensure that your vendor has a duty to notify you of any suspected incident and to investigate or assist your investigation. This is because the patchwork of state laws that specify how to respond to a breach could permit a vendor to delay notice to you, or to decide that notice is not required. Either way, you are deprived of the right to make a timely decision as to whether you have any duty to notify your customers or other third parties of an incident.

Undertakings regarding data

If your vendor is storing your data or has any unique instance of it, consider whether you should obtain a commitment from the vendor that covers several things. Data back-up and accessibility obligations would require the vendor to ensure that there is a second copy of your data available, updated, and accessible at all times in case of emergency or incident in the vendor's primary network.

A promise to return a useable electronic copy of your data to you after expiration or termination also puts the onus on your vendor to maintain the integrity and comprehensiveness of your data. This indirectly affords you additional protection that the vendor can and will perform with respect to security and access.

Employee and contractor confidentiality

Finally, ensure that the confidentiality obligations in your standard agreements address appropriately any electronic data to which vendors, their contractors and employees will have access. All relevant persons should be covered, and the definition of "confidential information" should be adequate to protect the sensitive personal data in your care.

No single measure, or combination of measures, can protect you completely from the exposure that comes with a breach.

Working to standardize the protections you receive from vendors may, however, help you plan. It also may be a factor in your underwriting risks as you pursue your own cyber insurance policies.



Mitzi L. Hill is an attorney at Atlanta-based Taylor English Duma L.L.P. where she focuses her practice on data security and privacy. She has experience assisting clients in responding to data breaches, entertainment and media issues, as well as technology licensing and development. She can be reached at mhill@taylorenghill.com and 678-336-7272.

Leading from the center of excellence



RISK MANAGER OF THE YEAR®

Kathleen M. Ireland

IBM

BY MARK A. HOFMANN

When Kathleen M. Ireland joined IBM in 2005, her task was clear. At the time, the technology giant outsourced most of its risk management responsibilities to its brokers. Ms. Ireland, then a senior vice president at Marsh USA Inc. who had served as outsourcing international casualty risk manager for the IBM account, was brought in-house to create an internal risk management department for one of the world's best-known companies.

Her success in doing so earned her the designation of *Business Insurance's* 2015 Risk Manager of the Year®.

As head of IBM's risk management effort, Ms. Ireland — who was named vice president of global risk and insurance earlier this year — follows a straightforward approach to insurance: "Insurance is the last resort."

That translates into a heavy emphasis on loss control throughout the Armonk, New York-based company's global operations.

Ms. Ireland said "we spend the time to prevent a loss

from occurring in the first place, and then that allows us never to have a loss of life, no loss of our physical assets, no interruption to our income and no market share loss and — most important — never disappoint one of our customers."

IBM's reputation, she says, is "not insurable."

"Kathleen brings a wealth of specialized knowledge that ensures IBM has a portfolio of insurance coverage tailored to our ever-changing global needs," Simon Beaumont, the IBM vice president and treasurer to whom Ms. Ireland reports, said in an email. "She and her team proactively manage this portfolio to ensure we have the required coverage on a cost-optimized basis, combined with a robust loss prevention and claims culture and process."

Janine M. Smith, managing director of strategic account management at Aon Risk Solutions in New York, has worked with Ms. Ireland since she joined IBM.

"I have really watched her transform the risk organization at IBM in her tenure," Ms. Smith said. "That transfor-

INTERNATIONAL BUSINESS MACHINES CORP.

Business: Technology hardware, software, technology services, business services, financing

Founded: 1911 as Computing-Tabulating-Recording Co.; became International Business Machines Corp. in 1924.

Headquarters: Armonk, New York

2014 revenue: \$92.4 billion

Employees: 431,212 worldwide

Did you know: The Social Security Act of 1935 brought IBM a huge government contract to maintain employment records for 26 million people. It was called "the biggest accounting operation of all time," and it went so well that orders from other U.S. government departments quickly followed.

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「Risk,
managed well.」

**Congratulations to Kathleen M. Ireland of IBM Corporation
on being named 2015 Risk Manager of the Year®**

AIG salutes Kathleen M. Ireland, as well as this year's *Business Insurance* Honor Roll members: **Laurent Barbagli** of Lafarge S.A., **David G. Cammarata** of Verizon Communications Inc., and **Brian W. Merkley** of Huntsman Corporation. Congratulations to these risk managers and all the others who make it their business to protect businesses and people.



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GLOBAL APPROACH ORCHESTRATES SUCCESSFUL PROGRAM

IBM's size calls for tight planning coupled with flexibility to work with many insurers

BY MARK A. HOFMANN

For IBM, having a global insurance program simply makes good sense, according to Kathleen M. Ireland, vice president of global risk and insurance.

Doing so allows a consistent approach to coverage as well as the limits purchased, she said. In addition, there are uniform expiration dates for excess layers.

"It allows us to have a mechanism to catch all the costs that we're paying for the insurance, and also to see all of the claims that are happening around the world," Ms. Ireland said. "This gives us a bird's-eye view to identify loss trends that allows us to develop preventive strategies."

Ms. Ireland added that having a global insurance program also helps IBM smooth out the costs because "we're buying insurance for the entire corporation as a whole, so we've got the economies of scale when we go to the marketplace."

The benefits go beyond the strictly financial, though, she said, because the global approach helps the company develop new risk mitigation strategies.

She said that approach allows IBM to see trends in types of accidents and mitigate them. She cited as an example an incident when IBM was shipping hardware products out of a particular country. In order to accommodate the plane that was able to fly out of that airport, the shipper unpacked the equipment. "Obviously, it was not going to get there in one piece if it was out of its crate," she said. "This was not apparent until we dug into what was occurring at this particular location."

"So, we look deeply into each loss event, then bringing that forward as a lesson learned in implementing a best practice," Ms. Ireland said. "That has been the key to us having very successful, robust programs — and also at a very competitive cost."

Yet another advantage is that the global approach allows the company — "and this is very important to IBM" — to be in compliance with all local laws and regulations as

far as admitted insurance coverage requirements around the world and to be able to give evidence of those coverages to customers, she said.

Under the global approach, Ms. Ireland's department takes an overall consolidation of the exposures, does the risk evaluation in its office at IBM corporate headquarters in Armonk, New York, reviews the terms and conditions and works with its brokers to design what the coverages will entail.

She cited confronting cyber risk as an example.

"Just think about certain areas like cyber risk, where the definition of what's personal special private information keeps expanding depending on what government you talk to and what part of the world you're in," she said. "We put all of that together and then we draw the box of coverages as broadly as we can to anticipate not only in the next 12 months but in the next 18 months" as well.

The risk management department reviews



ARNOLD ADLER

"We try to be very fair with everyone getting equal opportunity to participate where they're comfortable at the price where they're willing to give us their services."

Kathleen M. Ireland, IBM

all of IBM's policy terms every year.

"We also are very actively engaged in looking at new risks that are coming — our team sits on the merger and acquisitions due diligence team, so that when the risks are being contemplated in an acquisition, we're able to give feedback immediately if that would change IBM's risk profile," she said. The department also works with IBM's various support functions around the company such as real estate, human resources, legal, accounting, communications, the logistics and supply chain continuity team and business controls "to make sure all of those stakeholders are at the table when designing and addressing what their needs are," she said.

"On average it takes 15 to 20 different insurers to build each one of our programs because of the size of IBM," she said. "We work very hard to find the strengths of each because we firmly believe that there's a win-win for everyone. Once we understand what their risk-bearing appetite is, where they're comfortable playing on our panel, we work very hard year after year to place them on the program."

IBM also balances the business placed with any single insurer in accordance with corporate guidelines, she said.

Ms. Ireland stressed that the company believes in partnership, and that collaboration is a key value of IBM. Collaboration with "our customers, with our business partners — and we see our insurers as true business partners of ours — allows us to go out to new frontiers and undertake new activities, and they stand alongside us to help us manage the risk," she said.

"We try to make sure that we find the right balance for the right insurance company to be at the right point in that layer," she said. "We look to balance them across other programs that we have. We try to be very fair with everyone getting equal opportunity to participate where they're comfortable at the price where they're willing to give us their services."

Doing so is a matter of fairness, she said.

IBM believes small insurers can succeed as well as large ones, she said.

Ms. Ireland likened the approach to an orchestra, where every year each participant plays a different instrument but all are following "the same score of our policy wording, and each one has a unique value that they bring. So they're individual instruments but when we get it all together each year and everybody's where they need to be, it's just beautiful."

IBM works hard to have a balance for the sake of stability, so the risk management department looks to keep insurers on the program long-term, according to Ms. Ireland. "We're not a price buyer, so that helps us eliminate a lot of the churn that comes with always having to secure lower and lower premiums."

The way IBM keeps its premiums competitive is with all of its strategies leading to insurance being a last resort by preventing losses from occurring. If losses do occur, "we work very, very hard in examining what the parameters were around that case and do everything we can to reduce (exposure). The biggest lever you have is on business income loss, so the quicker you're back in business, the less that amount is."

The company has business continuity planning around the organization that helps it get back very quickly. By having an attractive loss portfolio, IBM's Bermuda captive allows it to dig deep, as the risk management department is involved in the adjusting of every one of those claims to get the lessons learned and improve it.

"Part of my job is to be the face of IBM to the insurance community," and partner with the insurers, the vendors and the brokers, she said. "Part of what we do to support that is we serve on their committees, and what we do is give them insights to what's working well, ways that they may want to reorganize their business model, other ways to explain and identify what the new needs are for major companies like IBM and to be willing to be able and ready to meet those needs. It's a very collaborative approach."

IRELAND

Continued from page 16

mation has been amazing, and I learn something from her every day. She changed how the risk management group was organized within IBM — Kathleen really centralized the team. She has the power because she has the blessing of senior management that no property/casualty insurance is placed without her blessing."

"People root for her," Ms. Smith added. "Every day she gets up and does the right thing. She takes care of the carriers — she never forgets to say thank you."

And as one might expect from a risk manager involved with a com-

pany whose name is synonymous with technology, doing so includes using an arsenal of technology focused tools to protect IBM's assets. One is an online risk management guide; another is a repository of online insurance documents going back a decade.

Through the use of technology, IBM was able to weather 2012's Superstorm Sandy without losing electricity at any of the company's nine locations in the storm's path, including the company's headquarters in Armonk.

But loss control extends beyond property conservation. To assure that the company and its customers understand each party's responsibilities regarding insurance, Ms. Ireland crafted the company's Attorney Inside Guide for

Contract Professionals.

Once again, technology plays a key role. The attorney's guide is available online and allows IBM's attorneys to understand the "construct of contract language as respects insurance, so we accurately represent what our insurance coverage does in each customer contract," she said.

Of course, even when insurance is viewed as a last resort, situations arise in which it must be tapped to deal with losses.

IBM's insurance program is designed globally, it includes the use of a Bermuda-based captive insurer, and is run on a centralized philosophy.

"We take an overall consolidation of the exposures, do the risk evaluation at our corporate head-

quarters, review the terms and conditions and work with our brokers to design what the coverages will entail," Ms. Ireland said. She is responsible for the direct management and oversight of an annual risk management budget totaling more than \$80 million of risk transfer costs, excluding retained loss and operating expense.

The risk management department itself has been designated a "center of excellence" within IBM and "acts for the benefit of the whole" organization, she said.

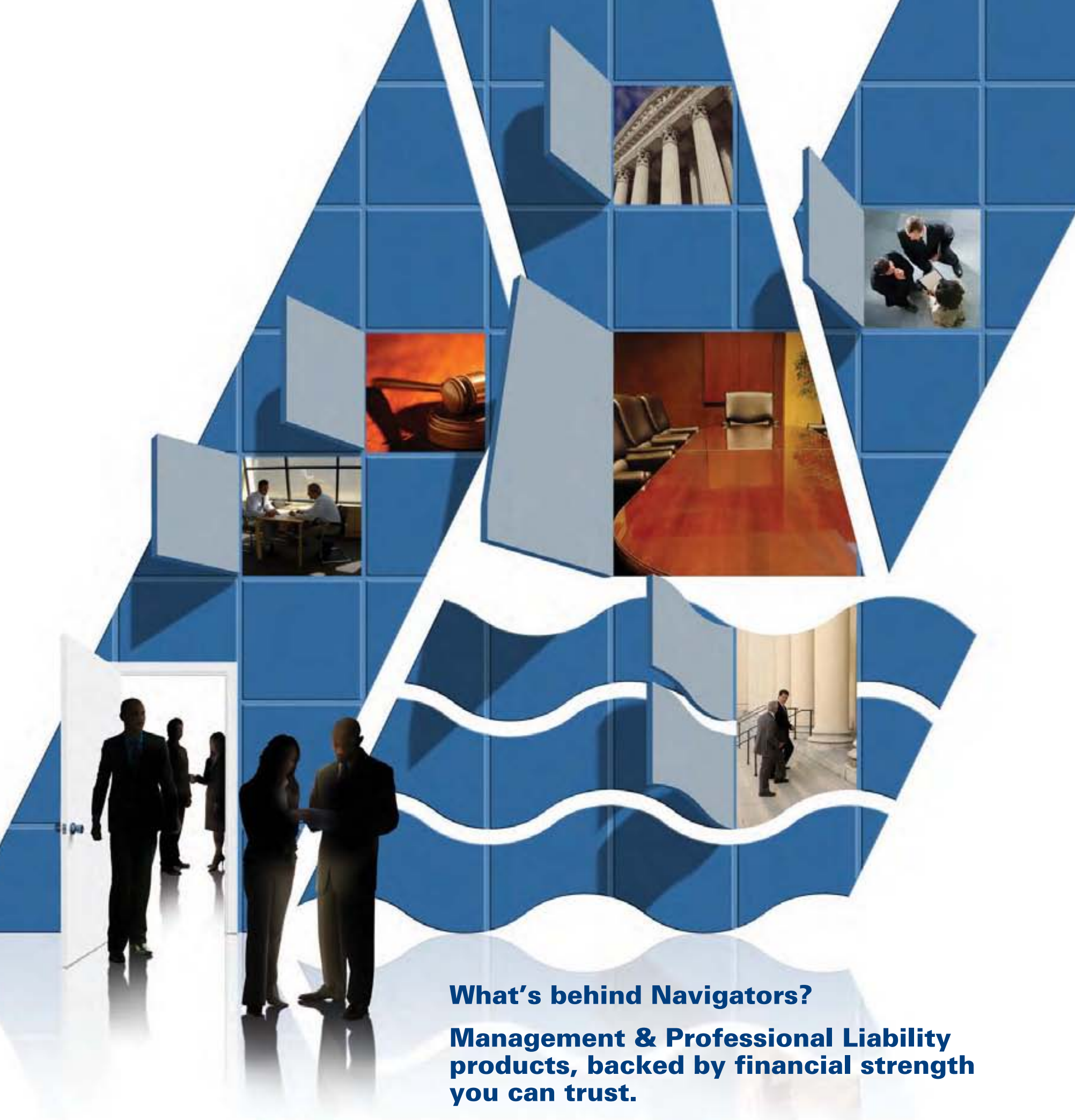
Being a center of excellence means that all of IBM's risk management expertise is gathered in one place at company headquarters. And that team consists of only seven risk professionals plus Ms. Ireland. The small team can

respond rapidly to questions and requests from the field, she said.

"Part of my job is to be the face of IBM to the insurance community," Ms. Ireland said. She follows a philosophy of partnership with her insurers, brokers and vendors. To further this goal, she serves on multiple insurer client advisory committees, to provide insights about what works well — and what doesn't.

"It's a very collaborative approach," she said.

"I would say each day brings new challenges, and some are large and some are small, because IBM is a global company with operations in 170 countries. So we always find there is something new that we are undertaking," she said.



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Loss prevention efforts trump insurance buying

IBM's proactive strategy seeks to avoid risks

BY MARK A. HOFMANN

At IBM, “insurance is the last resort,” according to Kathleen M. Ireland, the company’s vice president of global risk and insurance.

That means preventing a loss from occurring in the first place, and getting the message of loss control heard clearly throughout the Armonk, New York-based company, Ms. Ireland said.

“We have to communicate our message of risk management throughout the entire vast world of IBM,” she said. “It has to engage all of the different aspects of risk, and how you identify risk and how you manage it.”

Traditionally, when companies have a risk event, they’ll look for insurance as a first resort, she said. “They may just say, ‘We’ll buy insurance, and when something goes wrong, we’ll look for the policy to pay.’”

But that’s “completely the opposite of IBM’s philosophy,” Ms. Ireland said. Rather than react to a situation, “we spend 80% of our time focused on pre-loss preven-

tion, reducing the amount of the loss and avoiding the risk where we can. Embedded in this are five risk management techniques — loss prevention, claim mitigation, avoid, transfer and then purchase insurance.”

She said that by spending the time to prevent a loss from occurring in the first place, “that allows us never to have a loss of life, no loss of our physical assets, no interruption to our income and no market share loss and — most important — never disappoint one of our customers.”

IBM’s reputation is not insurable, she said. Taking loss-prevention actions “really helps us protect our brand and also protect our entire customer base. They come to rely on us. We all rely on technology, and without IBM and us being there for them, we would seriously risk potentially losing some of our major clients. So we work very hard at this.”

Part of the way IBM approaches loss control is to follow a highly protected risk philosophy, according to Ms. Ireland. The company conducts inspections of locations



ARNOLD ADLER

IBM Vice President of Global Risk and Insurance Kathleen M. Ireland with Simon Beaumont, IBM’s vice president and treasurer, to whom she reports.

with values of \$25 million or greater.

She says that because “we agree that more heads are better than one,” the company has multiple inspection firms review its major

sites. “Our point is to make sure we can see all of the different potential loss scenarios so we can prepare and react and prevent those loss events from occurring in the future,” she said.

Technology powerhouse traces origins back to modest roots

BY MARK A. HOFMANN

The name International Business Machines Corp. may be synonymous with computers, but the company’s origin is closer to the invention of the electric light bulb in 1879 than it is to the Internet of current times.

IBM traces its beginnings to the International Time Recording Co., which began as the Bundy Manufacturing Co. in Auburn, New York. The company’s main product line was mechanical time recorders, which were invented and patented by Willard L. Bundy in 1888.

Meanwhile, two businessmen from Dayton, Ohio — Edward Canby and Orange O. Ozias — purchased the patents for the newly invented computing scale and incorporated the Computing Scale Co. for the production of commercial scales in 1891.

Twenty years later, in 1911, financier Charles R. Flint put together the merger of those two companies with the Tabulating Machine Co. — which had been founded by data-processing pioneer Herman Hollerith — to form the Computing-Tabulating-Recording Co. In 1914, the company named Thomas J. Watson Sr. as general manager. According to IBM archives, Mr.

Watson emphasized research and engineering, and introduced into the company his famous motto “THINK.”

The Computing-Tabulating-Recording Co. adopted the name International Business Machines Corp. in 1924.

“The ornate, rococo letters that formed the ‘CTR’ logo were replaced by the words ‘Business Machines’ in more contemporary sans-serif type, and in a form intended to suggest a globe, girdled by the word ‘International,’” according to IBM archives.

In 1944, the company presented its first large-scale computer — the Automatic Sequence Controlled Calculator — to Harvard University. Eight years later, IBM introduced the 701, its first production computer, which was designed primarily for scientific calculations. Ever-more sophisticated computers followed.

Mr. Watson died and was succeeded as CEO by his son, Thomas Watson Jr., in 1956.

As IBM continued to grow and dominate the data processing industry, it drew government scrutiny. In 1969, the federal government instituted antitrust action against the company. The action was finally dropped in 1982.



Today, Armonk, New York-based IBM has more than 430,000 employees around the world. Its businesses include computer hardware and software, technology consulting, business consulting and financing. IBM’s 2014 revenues reached \$92.4 billion.

Virginia M. Rometty, who began her career with IBM in 1981 in Detroit, is currently the company’s chairman, president and CEO.

Yet until 2005, IBM outsourced most of its risk management function to its brokers, one of whom was Kathleen M. Ireland, this year’s Risk Manager of the Year® and currently vice president, global risk and insurance.

Ms. Ireland was hired to bring risk management in-house. Yet despite IBM’s complexity and global reach, the risk management department consists of fewer than 10 people. The department’s small size has not prevented it from being designated a “center of excellence” within IBM, with responsibility for insurance matters across the company.

In addition to Ms. Ireland, the department consists of Micheline Baker, risk manager; Sabina Bilinsky, risk manager; Sean Fresen, assistant risk manager; Elisa Underhill, lead insurance analyst; Denise Jones, insurance analyst; and Jason Pittcock, GEO lead, Europe Middle East Africa and India.

CAPTIVE DELIVERS FLEXIBILITY

For Kathleen M. Ireland, vice president of global risk and insurance for IBM, the Armonk, New York-based technology company’s sole captive insurer provides flexibility in a changing commercial insurance market.

IBM’s captive, WTC Insurance Corp. Ltd., is domiciled in Bermuda. Ms. Ireland said the facility writes property coverage, only for IBM risks.

She makes clear that the captive doesn’t exist to be a tax advantage.

“The reason we use it is to access the reinsurance market,” she said. “Rather than buying on a retail basis, we pay wholesale prices by having our captive being in front and having a reinsurance panel behind it.”

The captive allows IBM to retain more risk. “For example, there’s a tremendous capacity in the insurance market right now,” she said. “But if that were to constrict, we have the ability to increase our retention within the captive, and so we’ve got control over what the pricing would be because we can keep it steady by taking more risk.”

The captive also provides program stability for IBM, according to Ms. Ireland. She said she works closely with the reinsurance panel on designing and obtaining the broadest terms and conditions in the captive form that IBM writes, and “then we get the reinsurers to follow the terms and conditions we’ve designed that we’d like to have them provide.”

IBM “leverages the strengths of all of (the underwriters) and brings them together as a whole in one form.”

The captive also provides funding to undertake all of the loss prevention activities and all of the engineering activities — a key component of IBM’s approach to risk.

“We do on average 154 inspections (a year) around the world,” Ms. Ireland said. The captive also allows IBM to conduct natural hazard studies on catastrophe exposures and conduct appraisals. “Over time, if you keep indexing the value of your assets, you may end up saying that chair is worth \$1,000. Maybe it is, maybe it isn’t — we always want to make sure that the values we are reporting to buy insurance is the most accurate possible.”

Finally, the captive allows IBM to support the Bermudian insurance industry, said Ms. Ireland, because IBM buys insurance from Bermuda insurers on many programs.

By Mark A. Hofmann



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CRUNCHING THE NUMBERS HELPS IBM MAKE THE MOST OF RISK MANAGEMENT CAPITAL

Regular quantification process determines how much risk to retain

BY MARK A. HOFMANN

To determine the nature of IBM's risks, Kathleen M. Ireland, the company's vice president of global risk and insurance, undertook a formal risk quantification study.

The study helped review and evaluate the efficiency of IBM's capital deployment through a formal, rigorous process that quantified the reasoning behind risk management capital decisions.

"Basically, we did it five years out, and we did it again to refresh two years out" she said. "You're taking all your loss information and balancing on what you think your risk appetite is and how much risk the company wants to take."

She said it lays out IBM's different parameters. Regarding property, for example, IBM found "that we take a \$10 million retention in our Bermuda-based captive. We could easily take \$50 million if we want to, and it wouldn't have any impact on the corporation," Ms. Ireland said. "But for us to take \$50 million in risk, the reduction in premium we would get would not substantiate," she said. "We might get \$4 million, but we're taking another \$40 million of risk for every event."

"So we always weigh how much risk we can bear versus what the cost is to buy insurance," she said.

In this case, the results showed that because of the proposed structure, IBM could take more risk and shared this with its insurers.

"While the recommendation



ARNOLD ADLER

IBM's risk management team includes (from left) Assistant Risk Manager Sean Fresen; Insurance Analyst Denise Jones; Risk Manager Micheline Baker; Geography Lead for Europe, Middle East and Africa, and for India Jason Pittock; Vice President of Global Risk and Insurance Kathleen M. Ireland; Risk Manager Sabina Bilinsky; and Lead Insurance Analyst Elisa Underhill.

wasn't utilized, it allowed us to show the markets that we could take more risk," according to Ms. Ireland. IBM didn't have to accept higher pricing from the underwrit-

ers in order to have them on its program because it could just self-assume the risk.

"It was one lever to manage the price," she said. "It's a way to

revalidate or find other ways to look in a holistic view at all of your risk together."

But conducting the risk quantification study more frequently

wouldn't result in added value, she said. "To do it every other year, you'd be kind of crunching the same information. It makes sense to have several years in between."

REVAMPED AUTO INSURANCE PROGRAM PROVIDES GLOBAL CONSISTENCY, LOWER LOSSES

Before Kathleen M. Ireland assumed responsibility for risk management at IBM, the technology company's international automobile insurance program was a patchwork of programs bought locally with varying insurers, limits and protection.

"The main point was, in the past, it was a very difficult program to put together," said Ms. Ireland, who serves as IBM's vice president of global risk and insurance. "I worked on it when I was on the brokerage side with IBM, and the only resistance was the leasing companies, who like to keep the insurance as part of the lease. But when you do that, you can't see what your own loss experience is, because many times they are self-

retaining that."

Ms. Ireland said "you also can never really untangle what the cost components are of the lease, because the insurance element is buried in there. You really don't have visibility to what levels of protection of third-party liability insurance are there."

With more than 22,000 leased vehicles in 34 countries, a global approach made sense. "You have all of the limits, you can see what your losses are and control your losses," she says.

Controlling losses means that IBM is always looking for ways to see what the common-sense things are that can be done to lower losses. Ms. Ireland said the biggest

issue regarding automobile use is behavior. "How do you raise the awareness of safety?" she asked.

As a result, IBM benchmarked with several other companies that are in the automotive industry with global fleets to find out what the behavior was and, as a result, implemented new strategies.

She said the biggest behavior modification strategy is to consider whether "your boss were to find out that you had an accident when you were in a company car. We care about our people, we care about other people and our assets, because all three things can be involved in an auto accident."

So, any driver involved an accident —

whether it was the driver's fault or not — must have a mandatory meeting with his or her manager.

Another area examined was to look at trends of who is having the accidents, because most of these vehicles are a company benefit, an employee benefit, she said. In some countries, such as the United Kingdom, "it's a standard practice that when an employee reaches a certain job level, the employee gets an automobile as part of his or her compensation."

Such strategies were effective in reducing the loss ratio from 134% in 2010 to 70% in 2013 without the need for increase in cost.

By Mark A. Hofmann

Move to bring risk management in-house improved control of exposures

BY MARK A. HOFMANN

Kathleen M. Ireland does not shy away from challenges.

When Ms. Ireland, vice president of global risk and insurance for IBM in Armonk, New York, and *Business Insurance's* 2015 Risk Manager of the Year®, took over risk management for the technology giant in 2005, she had to build a risk management department from the ground up.

"IBM was looking to reverse the way that they had handled risk management within the organization, moving from outsourcing to the brokerage community to reinvesting and building a risk management function within the corporation," Ms. Ireland said.

At the time, Ms. Ireland was senior vice president at Marsh USA Inc. In that position, she acted as outsourcing international casualty risk manager for IBM. She previously had been a vice president at broker Johnson & Higgins working on the IBM account before Marsh purchased J&H in 1997.

Before Ms. Ireland joined IBM as manager-global risk and insurance management, there was a department that was staffed by four or five people, but IBM basically had outsourced risk management to the brokerages.

"The brokers would work with them in identifying the risk, but basically they ran the process with the internal IBM manager," she said.

After being hired to bring risk management in-house, Ms. Ireland said, "we focused on a foundation of control, which meant that the corporate risk management department would have sole responsibility and authority to place, design and implement all global property and casualty insurance worldwide."

"It was a very exciting opportunity when I got here, because what we were able to do was create a whole new department from the ground up," she said. "We basically scraped it down to the bare wood."

She said her 25 years' experience as an international broker dealing with many different companies and their risk management departments to coordinate placements of their programs allowed her to see what worked and what didn't. The practices that didn't work were left behind.

"We were able to take the best and build our department on that, and it's worked out very, very well," she said. "We decided to implement what we liked and what worked well for other risk managers and avoid what was ineffective. Eventually it evolved into a center of excellence."

She considers creating the center

of excellence of risk and insurance her greatest achievement at IBM. Over the course of 10 years, "we have re-evaluated all the different approaches to risk management," Ms. Ireland said. She said her second greatest achievement is "successfully implementing our risk management strategy, which is insurance is the last resort."

Of course, the challenges didn't stop with creating a centralized

risk management function within IBM.

"Because IBM is a global company with operations in 170 countries, we always find there is something new that we are undertaking," she said. "That's primarily because we're in the forefront of technology. So the real challenge is keeping a balance to prioritize and also adhere to our risk management philosophy."

With multiple challenges coming in from around the world, IBM has to retain the big risk picture while maintaining attention to the details, "because attention to the details in our industry is really key," according to Ms. Ireland. "The best way that we prioritize all the challenges that come in every day is to stay fresh, creative, optimistic and enthusiastic in meeting these challenges. We also

have many ways we engage with our business units around the world, and we have a very robust framework that helps us manage and anticipate."

"The other good part is the dialogue we have with our business units helping them identify which risks to retain, which risks to avoid and also how to manage risk to maximize the reward while minimizing the downsides," she said.



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MTG-2855 (1/15)

IBM centralizes risk management brainpower

BY MARK A. HOFMANN

Having risk management designated as a “center of excellence” within IBM works well for everyone throughout the corporation.

Under the center of excellence concept, “you take the subject matter experts and make them into a hub wherever that expertise resides. For ours, it’s at the corporate headquarters” in Armonk, New York, said Kathleen M. Ireland, IBM’s vice president of global risk and insurance.

At IBM, once the center of excellence is set up, that center acts for the benefit of the whole organization, she said. “What we’ve done is eliminated all of the questions in the field as to ‘What do I do if I have a claim?’ ‘How much insurance do I buy?’ ‘Is this covered or not covered?’ or ‘How do I address this particular risk?’” Ms. Ireland said.

She said everyone at IBM recognizes that to be a part-time insurance purchaser doesn’t make any sense. “When you’re operating in isolation, no one entity could see the overall view of the risk for the corporation and make the right educated decisions as to how much risk to retain and how much risk to transfer,” Ms. Ireland said.

“Because we are a center of excellence, we have the global con-

trol and global view of all events, so we’re better able to predict what makes sense, what risks to retain and what risk to prevent,” she said.

The first advantage of a center of excellence has the same advantages as you would find in a consolidated insurance program, she said.

“You have the subject matter experts housed in one place,” she says. “And they’re able to drive all of the factors and all of the decisions on that particular area.”

The center of excellence approach also allows risk management to have direct, frequent communication with all of IBM’s business units and executives, Ms. Ireland said. The risk management team comprises only seven people plus Ms. Ireland, but it interacts with real estate operations, finance, the treasury team, merger and acquisitions, deals directly with IBM’s business units — hardware, software and services — and human resources for employee issues in regard to workers compensation. Risk management also deals with security, global fleet, research and development, supply chain and all of the company’s country chief financial officers.

“We manage the overall processes, we have a global framework in place and continual risk identifica-



ARNOLD ADLER

“Because we are a center of excellence, we have the global control and global view of all events, so we’re better able to predict what makes sense, what risks to retain and what risk to prevent.”

Kathleen M. Ireland, IBM

tion with all of the tools,” she said. “You have a defined, concentrated group that focuses 100% of their time and energy on this particular specialty for the corporation.”

And size matters. Because risk management is a small team, its size and proximity allows it to cross-train, “so all seven of us are sitting in one unit,” she said.

“We can speak pretty quickly,”

she said. If a claim comes in, the team hears about it and can look at it from several angles such as a workers compensation perspective, a casualty perspective or a property perspective. This helps the team increase communications, work quickly and coordinate responses to all loss and risk events, decision-making and strategizing to effectively leverage

insurers along multiple lines.

“Also it’s dynamic in the fact that if there’s a solution or type of coverage enhancement, we can see all lines together,” Ms. Ireland said. “We can see an application of a certain enhancement that might work on other types of coverages. It’s very easy for us to cross over and make those connections and to be able to do it very quickly.”

ONLINE TOOLS PROVIDE CONSISTENT RISK MANAGEMENT DATA

It’s only fitting that a company whose name has been synonymous with technology for decades would turn to technology to improve its risk management function.

Kathleen M. Ireland, vice president of global risk and insurance for IBM, points to a tool called “Deep Thunder” as helping the company get through 2012’s Superstorm Sandy without having to shut down. Another, the Attorney Inside Guide for Contract Professionals, lays out uniform insurance contract language across the international company.

But the company’s use of technology doesn’t stop there, Ms. Ireland said.

For example, IBM maintains a live online risk management guide that features a table of contents, she said. “You click on there so if you needed to get a bid bond, needed to know how to report a certain type of claim, needed to determine

what type of claim it was,” the user can find answers. “It’s got very basic answers about how to navigate around through that guide,” she said.

The company also has a risk management shared drive, she said. The RM shared drive is an online access-controlled soft copy repository for all key correspondence.

“We own the document retention responsibility for all the insurance policies that IBM buys, not only from a corporate perspective but around the world,” Ms. Ireland said.

If IBM in the future ever has claims that “go back to a long-past event or our legal team needs to look at the documentation, we have that,” she said. This includes all applications, presentations and submissions made by IBM to the underwriting community since 2005, including scanned copies of all U.S.-issued insurance poli-

cies/programs and every locally placed property/casualty and auto insurance policy for all operations of IBM, she said.

The company’s professional errors and omissions reporting tool “allows us to have a mechanism for any incidents that happen in that particular product line so that our attorneys can easily put that into a database, and it allows us to develop trends,” she said, adding that “once again, we’re always looking for what the next risk potential could be from an event and secondly to take those lessons learned and bring them back to the business unit.”

On the property side, IBM calls upon its customized My Risk portal that provides views of FM Global recommendations as they do inspections around the world, Ms. Ireland said. “We configured this with our real estate operations so they can prioritize by the site, by the country, by the geography and then they can splice in dif-

ferent ways to look at which organization has the responsibility.”

“It allows them to take the information that FM provides to us and put it in an intelligent format,” she said, adding that “it’s more easily accessible and action-oriented.”

“It allows us to say we’ve identified a certain type of correction that needs to be addressed,” she said. “We identify that as a weakness in one place. We can develop one strategy that applies to all of the locations to make that same change. So rather than individually attacking one problem here and trying to do it again there, you’ve got the best lessons learned, the best practices, and we just roll that out over the entire organization.”

This tool “allows us to address pretty much everything with one approach,” she said.

By Mark A. Hofmann

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IBM'S 'DEEP THUNDER' PROGRAM KEPT FIRM AHEAD OF SUPERSTORM SANDY

Like countless other businesses in the Northeast, IBM felt the fury of October 2012's Superstorm Sandy.

But unlike many other enterprises, IBM stayed up and running throughout the monster storm, said Kathleen M. Ireland, IBM's vice president of global risk and insurance.

Ms. Ireland credits the company's "Deep Thunder" technology tool as one of the reasons for IBM's success in weathering the storm.

Deep Thunder allows IBM to use technology to take information that already is available on the Web — different weather feeds, different maps, elevations, different topography — and

"put that together with storms that are coming in order to identify where there could be flooding events," Ms. Ireland said. As a result of leveraging that information, Ms. Ireland's department can determine whether there could be a potential interruption at an IBM facility.

In the example of Sandy, IBM recognized that there were nine facilities within the path of the storm, she said.

"So rather than waiting to find out if they actually got hit and then if the power went out and then, in that case, start the generators, we went ahead and started the generators all the way up the line," Ms. Ireland said. Although

IBM's corporate headquarters in Armonk, New York, was without power for nine days, "there was no interruption because we started the generators even before the storm got here," she said.

"The last thing you want to have happen is you have a generator and you wait to turn it on when the weather is raging and it doesn't work," she said. "So we started them three days ahead of time just to make sure they're all working, and we just kept them working, because why else would you have them except to use them in a situation like that?"

By Mark A. Hofmann

ONLINE TOOL GIVES LAWYERS SPECIFICS

One of the major projects Kathleen M. Ireland has tackled at IBM has been to create a guide for the 4,000 or so attorneys used by the company worldwide who negotiate customer contract agreements.

The tool, known as the Attorney Inside Guide for Contract Professionals, "enables our attorneys to understand the construct of contract language as respects insurance," so IBM accurately represents the type of insurance coverage it requires for inclusion in customer contracts, said Ms. Ireland, IBM's vice president of global risk and insurance.

The guide allows the contract to be compliant with the customer's requirements, she said. It also serves to "make sure we're not over-emphasizing what coverage might be there," she said.

"Because we do business 24 hours a day, seven days a week around the world, with my small department, the guide is a live link on our legal site which allows them to understand how to negotiate the terms and conditions."

The guide contains information such as IBM's risk philosophy, its appetite for risk retention and risk transfer, and insights for why the customer asks for certain types of provisions.

"It also contains international-specific terminology, talking points specifically for the attorneys to help the customer understand the specifics of the coverage and how IBM's broad programs meet all of their requirements," Ms. Ireland said.

"The difficulty is that there's no real standard wording that customers come forth with, because some will have some risk management input in their own companies, others will go to outside legal counsel," she said. "What we find is that where we may cut out a certain requirement or liability under the terms of the contract — we're not going to be responsible for X — they may try to insert that requirement in the insurance section by saying 'You will be responsible for X by having insurance for it.' And whether we have insurance or not, we may not want to take on that obligation."

"To have the right terminology matching what we're doing and what our coverage provides doesn't always mesh with the terminology that the customers are using," Ms. Ireland said. "So this has been a great educational tool not only for our attorneys but for our customers as well."

By Mark A. Hofmann



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Art major redraws career plans to work on risk management canvas

IBM's long-time broker brought expertise inside company

Kathleen M. Ireland's chosen career ended before it began.

Ms. Ireland, now vice president of global risk and insurance for IBM and *Business Insurance's* 2015 Risk Manager of the Year®, majored in art while in college at Hofstra University, Hempstead, New York.

"But art in the public schools was cut back when I graduated," she said. Her father, who was risk manager for Raytheon Co., advised her to think about a career in insurance. She said that no one in the family had followed in his footsteps, and that she'd felt no pressure to do so.

"We weren't big about making people follow in our footsteps," she said.

She started with Frank B. Hall — which was acquired by what is now Aon P.L.C. — in Boston. "I typed certificate forms; I had a clerical job," she said.

She also went to school at night at an insurance institute in Boston that was right around the corner near Boston landmark Faneuil Hall.

Frank B. Hall had a risk management department, which was really the first outsourcing risk management department at that time, she said. "I was very fortunate that it did exist — so I learned both sides of property and casualty, and at that time Boston was the center of the technology boom," with Wang Laboratories Inc. and similar clients.

"We helped design their domestic programs, and we also acted as the risk manager for companies that were big enough to need one but didn't want to source one internally," she said. "So we had an interesting role of identifying the risk, dealing with insurance companies, brokering the risk, and presenting to the treasurers."

Continuing education

Ms. Ireland worked her way through the brokerage ranks, joining Johnson & Higgins, which was acquired by Marsh & McLennan Cos. Inc. in 1997. Over the years, Ms. Ireland also earned professional designations including the Associate in Risk Management and the Chartered Property and Casualty Underwriter.

Globalization created a demand for brokers with both property and casualty training to take on the international assignments and design the multinational programs, so Ms. Ireland did a lot of work in that area, she said. "It was almost a perfect storm. When IBM did outsource their risk management function, I was chosen as one of the brokers to be the international casualty lead, and I did that

for 13 consecutive years. I had the privilege and the pleasure of handling IBM's business while at the same time learning about many other industry sectors," including defense contractors and the chemical industry.

In 2005, IBM decided to handle risk management internally. Ms. Ireland, who was then a Marsh

USA Inc. senior vice president, was chosen for the job of manager-global risk and insurance management. She was promoted to director-global risk and insurance in 2010 and to her current position early this year.

"It's been wonderful, it's been great," she said.

By Mark A. Hofmann



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Kathleen M. Ireland's career was perfectly positioned in 2005 for her to join IBM when the company decided to handle risk management internally.



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Laurent Barbagli

LAFARGE S.A.

BY SARAH VEYSEY

Laurent Barbagli, group risk and insurance manager at Paris-based Lafarge S.A., has succeeded in streamlining an insurance program against a backdrop of a company expanding into emerging markets.

Lafarge, one of the leading building materials companies in the world and one of France's largest listed companies, had the ambition to change its insurance function from one focused on procurement to a risk market model, Mr. Barbagli said.

The company, which in recent years has seen great expansion into emerging markets, also has seen innovation in its products as part of a commitment to "build better cities," Mr. Barbagli said.

This has meant the company no longer simply sells products, but now sells solutions — which has led to the evolution of some liability risk.

This necessitated a real partnership approach with bro-

kers and insurers, Mr. Barbagli said. His innovation helped him earn his place on *Business Insurance's* 2015 Risk Management Honor Roll®.

"So we did a cross-functional project" on risk and insurance across the whole organization to enhance the link between insurance and risk management to the company's business and objectives.

A project manager with a finance background was recruited at the start of the effort to help drive the cross-functional optimization program.

After two years, two engineers were recruited into the insurance and risk management function, he said.

"This is a company of engineers. I am not an engineer, so I need to be able to communicate with them and make risk and insurance solutions match with industrial risks," Mr. Barbagli said.

The risk management function at Lafarge is a relatively small one, he said, and so it is vital for the company's brokers to act as an "external resource to help us achieve our objectives."

LAFARGE S.A.

Lafarge is a global building materials company, specializing in cement, aggregates and concrete. The company's stated aim is to build better cities. Lafarge operates in 63 countries.

Founded: 1833 in Ardeche, France

Headquarters: Paris

2014 financials: Sales of €12.8 billion (\$13.68 billion) in 2014 and operating income of €1.88 billion (\$1.99 billion)

Employees: 63,000

Did you know: Lafarge supplied cement and concrete for the Millau-Viaduct bridge, the tallest bridge in the world, situated in the Tarn Valley in France. The bridge, considered to be one of the greatest feats of modern engineering, reaches 1,125 feet at its tallest point and is 1.5 miles long. More than 3 million cubic feet of concrete were used in construction of the bridge.

And because Lafarge is a global company, it needs to have the support of its brokerages' global corporations, he added.

Lafarge works with two of the major brokerages, whom Mr. Barbagli declined to name.

"We have a team we work with in France, but also we work with their top (representatives) in the United Kingdom and in New York, because we need global support and global knowledge," he said.

Lafarge assesses the performance of its brokers on about 50 items every quarter, Mr. Barbagli said.

This is done in conjunction with a consultant from the United Kingdom to fairly assess the brokers' performance, he said.

One of the streamlining efforts that Mr. Barbagli and his team have undertaken has involved the company's captive insurers and has resulted in cost reductions for the group.

He said that trying to strike the correct balance between self insurance and risk transfer has been one of his key objectives in optimizing the company's insurance program.

And a global optimization project of the group's insurance coverage also has led to substantial savings



AP PHOTO

Lafarge S.A., a maker of cement, concrete and construction aggregates, supplied the materials to construct the Millau-Viaduct bridge, the tallest bridge in the world.

of about €10 million (\$10.6 million). That project saw an audit of the company's insurance coverages to eliminate any local insurance that duplicated group coverage, and cancel any insurance coverages that did not meet group objectives.

Two major areas where Mr. Barbagli has achieved significant strides in optimizing the company's insurance coverage have been in marine and trade credit.

Mr. Barbagli undertook a global review of the company's marine

coverage and consolidated it with the appointment of a single broker worldwide.

Marine cargo, charterers liability, and hull and protection and

See **BARBAGLI** next page

GROUPWIDE STANDARDS INTRODUCED

An audit of group standards for risk mitigation at Lafarge S.A. revealed a need to align all stakeholders including engineers, the group executive committee, external risk consultants and the finance department, according to Laurent Barbagli, group risk and insurance manager.

New standards were introduced groupwide, including the use of sprinklers on electrical equipment with specific power shut down and a change management process with engineers who initially were reluctant to use water on power equipment.

The result: companywide reduction in fire losses to \$10 million between 2009 to 2014, from \$110 million between 2003 and 2008, he said.

A major loss of about \$30 million to \$40 million was avoided in 2012 after a fire in cable tunnels was addressed with the sprinklers; a similar scenario in 2007 at an unprotected cement plant caused a large loss.

By Sarah Veysey



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CONSOLIDATED CAPTIVES PROGRAM OPTIMIZES RISK RETENTION STRATEGY

Streamlining creates proactive tool to manage exposures

BY SARAH VEYSEY

A streamlining of the captive insurance arrangements for Lafarge S.A. has been a major achievement for Laurent Barbagli, the company's group risk and insurance manager.

As a result of a strategy to simplify risk financing and management at the group level and to make the company's captives more profitable, Lafarge has increased its property and business interruption retentions, among other things.

When Mr. Barbagli joined Lafarge in 2007, it had two U.S. captives that were separate from two group captive programs in Luxembourg, and he worked on a project to simplify those arrangements.

"Captives are not a target in themselves, they are a way of achieving a target," Mr. Barbagli said. "They can help optimize the balance of self-insurance and risk transfer."

Mr. Barbagli and his team consol-

"Captives are not a target in themselves, they are a way of achieving a target. They can help optimize the balance of self-insurance and risk transfer."

Laurent Barbagli, Lafarge S.A.

idated the captives Lafarge owned "and worked to make this more profitable and get focused on the risk." One of the company's U.S. captives, which had been in runoff, was closed, and the remaining U.S. captive now is fully reinsured by the group captive in Luxembourg. They have been brought under the management of a single captive manager, Mr. Barbagli said.

The group captive now has a balance sheet of \$230 million — representing the entire retention of the company in one vehicle that fronts

the coverage of a Vermont- and Luxembourg-domiciled captive.

The project to streamline the company's captive program was undertaken in conjunction with Lafarge's finance, legal and tax departments, giving greater buy-in and visibility to the project, according to Mr. Barbagli.

Lafarge considers its captives as insurers focused on optimizing self-insurance management and insurance costs, he said. As part of the optimization of the company's captive program, new insurance programs were integrated into the captives to diversify the underwriting and develop risk sharing.

Those programs were contractors all-risk, which was integrated in 2014; and cargo and credit insurance, which were added in 2012.

The change in underwriting policy for the captives also saw retentions increase. Lafarge recently increased its property and business interruption retention three-fold "because we have the ability to do this thanks to enhanced risk

management, improved risk profile, and more profitable captives," Mr. Barbagli said.

Lafarge's group retention per loss on its property damage and business interruption program was increased to \$17 million in 2014, up from \$5.7 million.

This has helped make the captive a "proactive tool" to protect Lafarge from volatility in insurance market pricing, among other things, Mr. Barbagli said.

As part of the simplification of the captive program, Lafarge also worked to improve the support it received from its brokers and insurers, Mr. Barbagli said.

Lafarge as a company has an ethos that being "long-term is a value, you have time to do things," Mr. Barbagli said, adding that he worked on securing long-term, sustainable relationships with key insurers that allowed them to better focus on Lafarge's needs, to align its insurance coverage in emerging markets and implement tailor-made policies.

CEMENTING A MERGER OF EQUALS

Lafarge S.A. is in the midst of a \$60 billion "merger of equals" with Jona, Switzerland-based Holcim Ltd. that is expected to be completed during the first half of 2015.

The combined company, which will be known as LafargeHolcim, will operate in 90 countries across both developed and high-growth markets.

LafargeHolcim will become the largest cement manufacturer in the world, with manufacturing capacity of 427 million tons a year — exceeding the 227 million tons annual manufacturing capacity of the current global market leader, China-based Anhui Conch Cement Co. Ltd.

The combined company, which will be listed both in Paris and Zurich, will be domiciled in Switzerland and have combined sales of about €32 billion (\$33.93 billion).

Annual cost savings of about €1.4 billion (\$1.48 billion) a year are expected as a result of the tie-up.

Because the merger has not yet been completed, Lafarge's group



HARRY CHAMBERS

risk and insurance manager, Laurent Barbagli, is unable to give many details of the insurance and risk management program of the combined company.

"We are working with our coun-

terparties on mutual discovery," he said, and currently that work is going well.

"It is exciting because you learn a lot about the management of the divestment," for example, he said.

"We are building a model for the future."

At the same time, however, it is "business as usual," Mr. Barbagli said.

By Sarah Veysey

BARBAGLI

Continued from previous page

indemnity coverage were gathered under one broker and three insurers resulting in savings of about €500,000 (\$530,200).

In trade credit, Mr. Barbagli obtained the sponsorship of the Lafarge chief financial officer to work with local credit managers and work toward building a multinational program for trade credit coverage.

A brokerage tender in 2012 led to the appointment of a single broker worldwide for trade credit. To date, eight countries have been consolidated within the program resulting in cost savings of \$2.3 million so far.

"For some risks you need to think globally but act locally, you cannot just impose a scheme from Europe," he said.

In the area of fire losses — a major risk area for Lafarge — Mr. Barbagli has been able to reduce the number of losses suffered by the company by 10% by obtaining €60 million (\$63.6 million) of capital expenditure to better protect 60 cement plants.

In recent years, Lafarge's involvement in emerging markets has shifted to about 60% of its activity from around 30%, and this has brought many challenges.

"One of my roles has been to align emerging countries' risk management and insurance as much as possible with developed markets," he said.

"This is very challenging in some countries which is why as a (risk management and insurance) function you need to be directly involved in the market alongside a selected broker and insurer," Mr. Barbagli said. "You need to access lots of insurance markets, and you need a global view, global coverage and global control."

One of Mr. Barbagli's achievements has been to build an insurance program for emerging countries in the Middle East, including Iraq and Pakistan. Under that program, five cement plants with an insured value of \$1.3 billion are now covered according to the group's standard coverage.

Mr. Barbagli said one of his major objectives has been to achieve "sustainable, long-term" insurance coverage for the firm and reduce volatility.

This, he said, does not mean always choosing insurance coverage on the basis of lowest cost, but instead working with partners such as brokers and insurers to ensure that the coverage is sustainable and appropriate.

While cost reductions are welcome, "it is not just about getting the best cost" but rather a commitment to a sustainable insurance program, he said.

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LAFARGE INSTILLS RISK MANAGEMENT IN ITS CORPORATE COMMUNITY

Information sharing stimulates discussions around loss prevention

BY SARAH VEYSEY

The creation of a risk community within Lafarge S.A. has been a significant achievement for Laurent Barbagli.

The company does not have centralized risk committees but does have strong risk awareness within its various functions. And as group risk and insurance manager, Mr. Barbagli has worked with the company's various competencies and projects to help build a community for the sharing of information about risks.

These steps, taken in conjunction with moves to improve the company's risk audits, have helped the company better share information and promote risk management.

"We wanted to build a risk community," Mr. Barbagli said.

"Within my function we are risk managers of insurable risk, but that doesn't mean we are only about insurance," he said. "We need to work with other functions and to be a full member of the second line of defense of risk management" alongside compliance and safety functions, among others.

"We need to be aligned with other functions to support risk management on the ground," Mr. Barbagli said.

As a result of this focus, a database tool was developed that aims to build synergies with other key risk functions within Lafarge

such as health and safety, performance, engineering and audit.

As part of the process, Mr. Barbagli worked to develop a model for data management that collates Lafarge's claims information at the country level for the territories in which Lafarge operates.

Online assistance is given to support staff in various countries to declare accurate values, and information then is forwarded to both internal and external stakeholders, such as loss adjusters.

The tool progressively is being expanded to all lines of insurance, Mr. Barbagli said.

Property damage, product liability, construction all-risks, marine cargo and charterers liability claims are all captured by the tool.

About 300 claims are declared in the tool each year. The database thus enables the company to track the evolution of trends and helps it identify and manage risk.

In addition, it provides insurance markets with a better understanding about the company's risks.

"Process and administration may not be one of the exciting things about insurance, but if you make it like a data management process it is more interesting," Mr. Barbagli said.

And if you can build a truly benchmarked database, that can have benefits that extend beyond insurance, he said.

The tool aims to give business

units better understanding of risk in order to promote good risk management across the organization and has had other benefits too, he said. "Big data is gold if you use it not only for insurance," he said.

For example, Mr. Barbagli said, examination of the product liability trends seen using the tool prompted discussion about product quality within the company.

The robust nature of the

"Process and administration may not be one of the exciting things about insurance, but if you make it like a data management process, it is more interesting."

Laurent Barbagli, Lafarge S.A.

database of claims and losses also has allowed Mr. Barbagli and his team to provide high-quality information to business units within Lafarge and the company's external partners.

For example, analysis of the claims involving new products produced by Lafarge have shown them to have a normal claims experience, thus aiding the process of innovation at the company, Mr. Barbagli said.

This year a project has been launched to include all risk audit recommendations on the intranet part of the tool provided to each country plant.

Other ways in which Mr. Barbagli and his team have sought to develop the risk community within Lafarge include the organization of workshops intended to enhance the synergies between various risk functions of the group.

For example, workshops with Lafarge's trading department address the selection of tugs and barges used by the group and enabled the company to adapt its shipping policy.

And workshops with group engineering committees to discuss plant construction addressed seismic risk mitigation in plant design.

In France, a workshop with a leading French construction insurer enhanced understanding of Lafarge's product risk profile.

Chris Baudouin, CEO of the global client network at Aon Risk Solutions in Chicago, who has worked closely with Mr. Barbagli for many years, said among Mr. Barbagli's strengths is his "ability to engage with and work alongside not only such diverse functions as engineering, safety and finance/treasury, but also especially diverse geographies with many different levels of risk management knowledge, understanding and importance."

SUPPORT FROM THE TOP CRUCIAL

The ability to run a centralized insurance program for a company that is expanding its global reach has been one of Laurent Barbagli's key achievements.

And central to this achievement has been Mr. Barbagli's ability to garner support from Lafarge S.A.'s management and others throughout the company, said Chris Baudouin, CEO of the global client network at Aon Risk Solutions in Chicago, who has worked closely with Mr. Barbagli for many years.

The ability to obtain buy-in and support from senior management within Lafarge to run a centralized program has been key to Mr. Barbagli's success as group risk and insurance manager, Mr. Baudouin said.

Lafarge operates in more than 50 countries and derives about 50% of its revenues from emerging economies, Mr. Baudouin said. A great deal of its expansion into emerging markets has taken place during the past seven or eight years.

"International programs can be difficult to implement," said Mr. Baudouin, particularly when a company has operations in territories where doing business can sometimes be difficult — such as the Middle East — or where insurance is not as advanced as in other areas.

Mr. Barbagli has recognized the need to work with partners around the world, and to accept and implement advice, Mr. Baudouin said.

"He has balanced the corporate risk philosophy and appetite with the issues that come with trying to implement a philosophy in the rest of the world," he said. "Laurent has been very good at getting (his) message across to the operating units — that was one way he was able to implement the global optimization project."

"You need tact and a little hammer," he said, "and he was able to weigh the occasions where he needed to use one or the other — and the result was big savings for Lafarge."

Mr. Baudouin said that Mr. Barbagli's ability to work with diverse functions across the company — such as engineering, safety and finance — as well as diverse geographies, where there are differing levels of risk management knowledge and understanding, are testament to his ability to engage and work alongside people and build relationships.

By Sarah Veysey

RISK AUDITS FOCUS ATTENTION ON VULNERABLE AREAS

One way in which Laurent Barbagli has helped promote risk awareness and risk management within Lafarge S.A. has been to expand the scope of risk audits undertaken in the company's various departments and geographies.

This approach also has seen changes to the way Lafarge audits the performance of external partners such as brokers.

Mr. Barbagli, Lafarge's group risk and insurance manager, has enlarged the scope of risk audits undertaken throughout the organization for fire risks to now include natural hazards, machinery breakdown and quarry and landslide risk.

The results of these audits produce risk consulting reports outlining scenarios, vulnerabilities and recommendations.

In the past four years, about 2,100 such reports have been issued.

And during 2014-2015, all of the company's cement plants were audited.

This auditing process, along with the risk reporting database tool developed by Mr. Barbagli and his team, prompted several risk management

projects.

For example, on-site risk assessments for earthquake risk were organized because of limitations to traditional modeling.

They assessed peak ground acceleration and the solidity of soil, among other things, and tailor-made recommendations for sites were then produced.

Mr. Barbagli and his team were also able to structure projects to implement groupwide standards for risk mitigation.

For example, in the area of fire protection, an internal audit revealed a siloed approach to risk. So Mr. Barbagli and his team, saw a need to align all stakeholders — the group executive committee, group engineers, external risk consultants, and the group finance department — to work on a project for new standards for dealing with fire risk.

The team also has begun a project to implement group standards for risk mitigation for machinery breakdown, with the company's industrial performance department as a sponsor.

These efforts formed part of Mr. Barbagli's drive

to create a risk community within Lafarge and have helped to create synergies across risk functions in the company.

For example, engineering committees have participated in workshops on plant construction to address earthquake risk mitigation, among other things.

And the methodology used in audits also has been used to help develop a robust risk management intelligence database.

Mr. Barbagli also has taken an appraisal approach to monitoring the performance of its brokers and captive manager, all of whom Mr. Barbagli declined to name.

At quarterly meetings, Mr. Barbagli, a broker and an external consultant meet to rate the broker's performance against about 40 key performance indicators.

This has led to better dialogue between Mr. Barbagli and the broker, he said, and the broker's fees are linked to performance against this scorecard.

By Sarah Veysey

Father of 11 looks to family for risk management inspiration

BY SARAH VEYSEY

When it comes to lessons in risk and crisis management, Laurent Barbagli's home life is a rich source of material — he and his wife have 11 children.

"When I finish risk management at Lafarge, I go home and do risk management at home," he says.

He pays special tribute to his wife who has the bulk of responsibility for organizing the family.

"I am like her broker," he jokes, saying that it is she, not he, who deserves an award.

"I am committed to my job, but family is key," he says.

When he is not working, Lafarge S.A.'s group risk and insurance manager and 2015 *Business Insurance* 2015 Risk Management Honor Roll® honoree enjoys cooking and music, and he has a strong interest in education.

Taking a continuing interest in education gives risk managers leverage to be successful in their jobs, he said.

"Listening to people and communicating is key," he said.

"We need to understand why insurers can do some things and cannot do others," for example, he added.

He is a lecturer on the Insurance and Risk Management masters program at Paris Dauphine University with a focus on industrial risk insurance.

Explaining risk management concepts to young people "in an academic way helps me to communicate our model," he said.

It helps him to question himself and his model — "you challenge yourself," he said.

When explaining to students the synergies between external audit, internal audit, the insurance function and the risk management function, "it helps me to really understand how that can be out together to be the second line of defense" for the company, he said.

Mr. Barbagli also is a board member of the Paris-based French risk management group Association de Management des Risques et des Assurances de l'Entreprise.

In this role, he serves as a mentor for property damage and business interruption.

"There are lots of different types of risk managers in AMRAE," said Mr. Barbagli, and the association is working to build a reference guide for all those members doing risk management work in many differing organizations.

"This has helped me to think about what I can do with other functions within Lafarge," he said.

Mr. Barbagli said that when he started thinking about a career after graduating from the Institut d'Etudes Politiques de Paris and earning a political science and economic science degree from Paris II University, he realized he did not want to work in an "expertise silo."

"I wanted to have sufficient

expertise to be able to give more perspective on things," he said.

His career began at Gras Savoye & Cie., the Paris-based brokerage that Willis Group Holdings P.L.C. plans to buy.

From 1991 to 1992, he was head of the medical insurance department for Gras Savoye's Cameroon operations before becoming a captive insurance manager in the brokerage's alternative risks financing department until 1995.

From 1995 to 2000, he was an account executive for CAC 40 companies — the largest listed compa-

nies in France — and board member of a Luxembourg-based captive insurer.

Then, after 10 years in broking, Mr. Barbagli said he wanted a challenge that would help him improve his methodology.

So he took on a role outside of the insurance and risk management field to focus on project management.

As a financial consultant and project manager at IBM Business Consulting France from 2001 until 2002, Mr. Barbagli worked on the changeover to the euro from the

French franc for a large insurance group.

Then in 2003 he joined Club Mediterranee, the French tour operator, as group risk and insurance manager.

In 2007, he joined Lafarge.

"I wanted to work in leading companies," Mr. Barbagli said, "because they have leverage and footprint."

Also, he said, in large companies there is a "diversity of topics" to cover.

"I like to structure things, to simplify things," he said.



HARRY CHAMBERS

Mr. Barbagli also is a board member of the French risk management association AMRAE.

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Quantifying risk management

RISK MANAGEMENT HONOR ROLL®

David G. Cammarata

VERIZON COMMUNICATIONS INC.

ARNOLD ADLER

BY MATTHEW LERNER

‘What you measure gets managed.” So says David G. Cammarata, assistant treasurer for risk management and insurance for Verizon Communications Inc.

Mr. Cammarata oversees all aspects of New York-based Verizon’s risk management and insurance programs, including property/casualty and financial, covering \$180 billion in property assets, \$120 billion in revenue, 35,000 vehicles and 180,000 employees in 150 countries.

Is Mr. Cammarata’s job quantitatively driven?

“I’m trying to make it that way. We’re trying to measure everything that we do. We’re trying to put in measurements across the organization that helps us do our jobs more effectively,” he said.

Whether taking control of the company’s workers compensation claims in the New York office, embracing predictive modeling to enhance efficiency or instituting rigorous reporting regimens to help ride herd over the telecommunication giant’s massive information flows, Mr.

Cammarata relies heavily on his background in accounting and finance.

“I think it absolutely helps. There are a lot of decisions that you make that are financially oriented,” said Mr. Cammarata, who is based in Basking Ridge, New Jersey, who was named to the *Business Insurance* 2015 Risk Management Honor Roll®.

After taking on the company’s risk management duties in January 2012, Mr. Cammarata moved quickly to take responsibility for Verizon’s large New York workers comp claims volume from its human resources department. He transformed the claims department during a two-year integration plan involving outsourcing important claims functions, reducing its headcount and introducing better claims management techniques.

This involved enlisting Sedgwick Claims Management Services Inc. as a third-party administrator and instituting regular meetings and data exchanges with the service provider, Mr. Cammarata said.

Because workers compensation is the largest portion of Verizon’s risk management program, accounting for

VERIZON COMMUNICATIONS INC.

Founded: June 30, 2000

Headquarters: New York

2014 Revenue: \$127.1 billion

2014 income: \$11.9 billion

Employees: 177,300

Did you know:

- In 1885, The Bell Telephone Co., the first predecessor company to American Telephone & Telegraph Co., was formed and issued stock to the seven original shareowners.
- In 1949, AT&T (an early Verizon predecessor) introduced the famous black rotary Model 500 telephone, the first modularly constructed telephone model, which remained available — and widely used—until 1984.
- In February 2014, Verizon acquired Vodaphone Group P.L.C.’s 45% stake in Verizon Wireless for approximately \$130 billion, making the wireless unit a wholly owned part of the company.

about 35% to 40% of costs, according to Mr. Cammarata, it was critical to assert strong control over the operations.

The integration of the New York workers compensation claims resulted in \$5.5 million in cost savings in 2014 over 2013 and a 27% reduction in open claims, according to Mr. Cammarata, as well as better and more accurate reserving, improved claims file documentation and improved Medicare reporting compliance.

“Another innovation involved the introduction in mid-2013 of predictive modeling analytics for workers comp claims,” he said.

While the company is still measuring its results, Mr. Cammarata estimated that the program has saved an estimated \$3 million in the first 6 months of implementation and reduced the average severity of claims by \$13,200, or 34%, while also increasing claims closures by 590 basis points and reducing attorney involvement in claims.

Yet captive insurers play the largest role in Verizon’s risk management strategy. They are the “cornerstone” of the company’s risk management strategy, said Paul Johnson, Verizon’s Basking Ridge-based director of captive operations.

Between 72% and 76% of the risk management budget is retained in the captive insurers, which include Vermont-domiciled Exchange Indemnity Co., founded in 1996 and the company’s main captive, as well as Exchange Indem-



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(From left) John Kerns, executive managing director, Northeast region, Beecher Carlson Holdings Inc.; Michele S. Maffei, vice president of client services/Northeast business unit, Sedgwick Claims Management Services Inc.; David G. Cammarata; Alfred P. Tobin, chairman of the property practice for the Americas, Aon Risk Solutions.

nity Co. New Jersey and Exchange Indemnity Co. New York, both founded in 2012.

“A very large portion of our risk management budget is paid to the captives in the form of premiums,” Mr. Johnson said.

“I think there are a lot of benefits you get from using a captive,” Mr. Cammarata said. “Certainly there are a lot of risks you don’t want to

See **CAMMARATA** next page

“A very large portion of our risk management budget is paid to the captives in the form of premiums. I think there are a lot of benefits you get from using a captive.”

David G. Cammarata,
Verizon Communications Inc.

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Top exposures covered by massive insurance programs

TRIA renewal concerns, growing cyber threat prompt purchase of significant limits

BY MATTHEW LERNER

As a major communications company with buildings in urban areas, Verizon Communications Inc. has significant cyber and terrorism exposures.

During 2014, it confronted the two emerging threats by putting in place massive insurance programs.

The terrorism exposure became a particular concern last year with the uncertainty surrounding the renewal of the federal terrorism insurance backstop, which originally passed as the Terrorism Risk Insurance Act of 2002, was renewed several times and was allowed to expire at the end of 2014 before being amended and renewed again in January.

"We had planned in advance for TRIA not to be renewed," said David G. Cammarata, Verizon's assistant treasurer for risk management and insurance.

Previously, Verizon had in place a two-year captive terrorism program with the option to convert to a stand-alone policy in the event the legislation did not renew.

As the deadline to renew TRIA drew near, however, Verizon and Mr. Cammarata were approached by the company's broker, Aon P.L.C., which suggested that by buying stand-alone terrorism coverage, Verizon could substantially raise its limits without significantly changing the premium.

Working with one insurer in the United States, which Mr. Cammarata declined to identify, and others in the London market, Verizon secured \$1 billion in stand-alone property terrorism coverage as TRIA expired.

Mr. Cammarata said he believes the stand-alone terrorism insurance coverage offered a prudent solution for Verizon. "As I looked into this over the past year, I became more convinced that a stand-alone program provided better coverage than the captive structure, which relied on the government as a backstop for the program," he said.



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David G. Cammarata focuses on maintaining and improving the competency of his risk management team.

"I think there's a higher degree of certainty of coverage if you purchase in the stand-alone market, and I feel more comfortable with that," he said.

As TRIA's expiration neared last year, Verizon became more concerned about questions of timing on claims and even certification, said Danielle Roth, director of risk management, who manages Verizon's terrorism coverage, among other things.

"When you put all these things together, we felt by transferring the risk, we would actually have a solid product in the event something happened," Ms. Roth said, adding that the risk is covered by multiple insurers.

The purchase of significant cyber limits

reflects the company's increased concerns about the risk. "Cyber is one of our biggest risks," Mr. Cammarata said. "We list it on our 10-K report as one of the biggest risks the company faces," he added, noting that Verizon also provides security services to large corporations.

"We've been spending a lot of time on cyber lately," said Ms. Roth. "We've expanded our coverage."

Nearly 40 insurers participate on the program, which was built after a review of 12 policy forms, Ms. Roth said. Mr. Cammarata and Ms. Roth declined to disclose the limits of the program but said they understood that it is one of the largest cyber pro-

grams to be placed in global markets.

The process took about nine months to complete, Mr. Cammarata said.

"It was a significant effort that took a lot of time to plan and orchestrate," Mr. Cammarata said. "We've already started talking about next year's renewals."

Verizon's cyber risk management efforts also include more comprehensive communication within the organization concerning cyber exposures. "Dave's been very involved in that as well," said Ms. Roth, recounting a three-hour tabletop exercise, with about 80 people across the business, designed to develop procedures and protocols for cyber protection and response.

CAMMARATA

Continued from previous page

transfer to an insurance company. You gain a lot of efficiencies by doing it that way. You can centralize the funding for the risks and centralize the management of the claims processes around the risk, and you certainly gain some tax advantages, potentially, if you are set up right with your captive."

Training and professional development are also important parts of the risk management regimen at Verizon, both for Mr. Cammarata's Basking Ridge team and the company at large.

He developed a focus on maintaining and improving the competency of his risk management team, targeting more than 20

hours of risk management-related training in 2014 and achieving more than 90% compliance among team members.

Further, in 2014, the risk management team conducted 28 training sessions throughout the company in which approximately 1,400 employees were trained and educated on various topics including workers compensation rules, regulations and procedures, appropriate insurance language for contracts and the owner-controlled insurance program process.

To strengthen his own industry relationships and knowledge, Mr. Cammarata sits on the client advisory boards or councils of American International Group Inc., Ace Ltd., Swiss Re Ltd., Zurich Insurance Group Ltd., and Sedgwick.

He is quick, however, to recognize the key support he gets.

"All of the work doesn't get done in my office," he said.

In addition to Mr. Johnson running the captives, William McCullough, national claims manager for treasury and risk management, manages all general liability and auto liability for Verizon; Mark Denesevich, director of financial planning and analysis, is in charge of the workers compensation program as well as aviation and construction insurance; and Danielle Roth is responsible for insurance procurement. All of the executives are based in Basking Ridge.

Mr. Cammarata's honor continues a tradition of strong risk management at Verizon: Sheila Small was named Risk Manager of the Year® in 2003.

"Sheila was a terrific role model for me, and I learned a lot from her during the almost 10 years that I

worked for her," Mr. Cammarata said. He credits Ms. Small, who is now with Alvarez & Marsal L.L.C., with creating much of what he now manages.

"She put in place a lot of the structure that we have today at Verizon in terms of the risk management program and our captive insurance companies," he said. "She built a lot of programs within the captive that have turned out to be huge successes including our handset insurance program that has almost 30 million subscribers today."

Mr. Cammarata adds that Ms. Small opened him to be more receptive to change.

"One of the biggest things I learned from Sheila was that we can't be afraid to try new things and new approaches. She was never afraid to try something new

or be the first to do something that was innovative," he said.

That influence seems to be reflected in Mr. Cammarata's own approach, according to Verizon Chief Financial Officer Matt Ellis, also in Basking Ridge.

"One of the things I was always impressed with about Dave is that he is always willing to look at something differently. I never get the answer, 'That's how we've always done it,'" Mr. Ellis said.

Mr. Ellis also noted Mr. Cammarata's ability to bond with the market. "The depths of the relationships that Dave has developed with a number of the larger carriers we have and the brokers we work with has really, I think, put us in a position to be very well-informed as we go to market and choose what to do from a risk management standpoint," he said.



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BUSINESS INSURANCE.

Captives provide firm foundation for risk management

Retaining expected losses leads to lower costs

BY MATTHEW LERNER

The majority of Verizon Communications Inc.'s risk management activities are contained within its captives, which serve as the "cornerstone" of the company's risk management strategy, said Paul Johnson, director of captive operations for Verizon.

The company's three captives — Exchange Indemnity Co., which is domiciled in Vermont, Exchange Indemnity Co. New Jersey and Exchange Indemnity Co. New York — take in almost three-quarters of the company's risk management budget.

Like his supervisor David G. Cammarata, Verizon's assistant treasurer for risk management and insurance, Mr. Johnson sees the value in his finance background when it comes to running Verizon's captives.

"I think having a financial background is a good thing," Mr. Johnson said. "Capital budgeting, cash flow, dividends are all important,

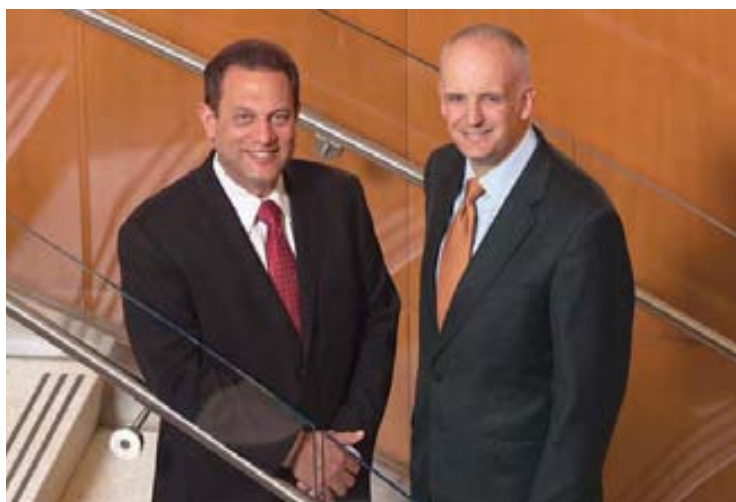
as is understanding what is the right capital structure for the captive."

Mr. Johnson credits Mr. Cammarata with driving modernization of the captives' operations as part of a financial overhaul of the entire company. "Verizon is going through a lot of financial transformation throughout the organization, and that has affected our captives," Mr. Johnson said. "Mechanizing the operation of financial statements was a big accomplishment under Dave's tenure."

Captives are used to cost-effectively retain risks and achieve a lower cost of risk for Verizon, he said. Such retentions avoids insurers' overheads and their profit margin and provides tax benefits as well.

"We do run about 21 programs annually through the captives, and a very large portion of our risk management budget is paid to the captives in the form of premiums," Mr. Johnson said.

Among the programs run



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Mr. Cammarata (left) with Matthew Ellis, Verizon's senior vice president, finance operations.

through the captives are casualty, global property, employment practices and patent infringements, as well as affinity programs including supplemental life, group home, and auto programs.

Examples of risks not retained by the captives would include patent insurance and adverse regulatory changes.

Verizon does not publicly disclose financial details for its captives. The last financial information available is from the fiscal year ending Sept. 30, 2010, when Verizon was lobbying the U.S. Labor Department to use its Vermont captive to reinsure group term life benefits.

At that time, Exchange Indemnity Co. reported \$918 million in gross annual premiums and \$1.7 billion in assets.

The company retains a great deal of its own risks.

"We endeavor to retain what we

expect to lose," Mr. Johnson said. "So generally, anything that is predictable, we seek to retain in a captive, and if it is catastrophic, we seek to transfer it out."

Low-frequency and low-severity losses, such as minor property damage below defined property insurance deductible levels, will typically be retained by Verizon business units.

Certain high-frequency, low-severity losses are also handled through the captives, including workers compensation, automobile liability and general liability insurance. The company has a large deductible program and self-insures more than 99% of the losses for these types of liabilities.

"Our loss history is pretty significant, so we're able to generate an accurate loss picture and price risk, and we try to retain as much as we expect to lose rather than trade dollars with a commercial

carrier," said Mr. Johnson.

"Mechanizing, streamlining, accelerating the close, beefing up internal controls — these are all things we've been working very hard to do," he added. "Under (Mr. Cammarata's) leadership, we continue to look at internal controls and documentation."

In addition to covering much of the company's risks, Verizon's captives have become a profit center for the company, generating revenue by taking on lines closely related to the company's primary business such as its handset insurance, which attracts millions of customers.

The captives also provide homeowner's insurance and automobile liability insurance to Verizon employees through reinsurance agreements with the primary insurers. "Our captives were among the first to participate in group home and auto programs," Mr. Johnson said.

There is potential for expansion, he said. "We do have an appetite for related unrelated risks," he said. "It must be related, something consistent with our overall risk profile."

"We're always looking at opportunities in the captives area," Mr. Cammarata said. "It's got to be something we feel very comfortable with."

Verizon has set up a program with Burlington, Vermont-based Marsh Management Services Inc., the manager of its Vermont captive, to cultivate ideas for new captive opportunities. "We're setting up a process where twice a year we're going to look at opportunities," Mr. Cammarata said.

TECHNOLOGY PLAYS KEY ROLE IN VERIZON'S CLAIMS MANAGEMENT STRATEGY

Technology and automation are playing increasingly large roles in business and commerce, and Verizon Communication Inc.'s risk management operations are no exception.

From introducing predictive modeling for workers compensation claims to automated file sharing with claims and coverage partners, New York-based Verizon has been busy leveraging technology, upgrading and updating systems.

"A lot of it is just becoming better and more efficient at what we do, and some of that involves automation and technology," said David G. Cammarata, Basking Ridge, New Jersey-based assistant treasurer for risk management and insurance for the communications technology firm.

With some 4,000 to 5,000 workers compensation claims per year with which to contend, he said he sought to "manage claims instead of just paying bills."

Following the 80/20 rule that 20% of claims account for 80% of dollars "and by focusing on that 20%, you can really make a difference," he said.

Deciding both technology and a partner were part of the solution, Mr. Cam-

marata turned to the idea of predictive modeling and to Memphis, Tennessee-based Sedgwick Claims Management Services Inc. for the assistance he needed.

"The predictive modeling uses 25 to 30 factors that help us identify at a very early stage in the claims' life which claims are going to be the big ones. This helps us focus our efforts a lot better," he said.

The models used are proprietary and were customized for Verizon by Sedgwick, he said. They were developed in a matter of months after an initial meeting with Sedgwick and went live in mid-2013. "Then it was just setting up a process for handling the claims that popped out of the models," Mr. Cammarata said.

The program has been so successful that it is being expanded. "We're going to be trialing models for bodily injury claims in the automobile general liability areas in 2015," Mr. Cammarata said. "I think that workers compensation is more advanced at this time in terms of modeling, but we'll be working with Sedgwick to build the automobile and general liability models."

"We need to leverage technology to create efficiencies within our current work-

flow and staffing model," said William McCullough, national claims manager for treasury and risk management, noting the work being done with predictive modeling in Verizon's claims department and looking forward to the next step to address general liability and auto liability claims. "I hope to get a draft of that model for general liability and auto liability claims in the coming weeks," Mr. McCullough said. "The use of business intelligence will help us manage our portfolio of claims."

Integrating electronically with partners is also creating efficiencies. "The largest change we have implemented to date is that we're developing the ability to have a single repository for all claims information in the risk management information system of our third-party administrator," Mr. McCullough said.

"When I joined Verizon about a year ago, these goals were identified as a high priority. This was Dave's vision," he said.

"I think the biggest changes we've seen come from an emphasis on analytics and data-driven decision-making," said Mark Denesevich, director of financial planning

and analysis. "We've also more fully exploited the capabilities of our systems to drive efficiency."

"Under Dave's leadership, we've automated a lot of the functions that were previously done using Excel spreadsheets and email," Mr. Denesevich said. "We've moved to using Web-based platforms that are more integrated."

"One thing we are implementing right now is a risk information management system, which will track our policies, manage certificates (and) house property values and other exposure information," said Danielle Roth, director of risk management.

The predictive modeling initiative, she added, "has been a way to use technology to try to identify claims and triage them."

Verizon's captive insurers have also benefitted from a technology infusion.

"In the finance area for the captive accounting, we put in an automated insurance and accounting system, which helps us close our books more quickly and provides management with information sooner," Mr. Cammarata said.

By Matthew Lerner

Accountancy career took sharp turn down path to risk management

As David G. Cammarata observes his son about to choose his career path, he remembers entering college himself and deciding what to do in his life.

“When I was choosing what I was going to do in college, I was kind of like my son in a way, who’s choosing his career right now,” Mr. Cammarata said. “I really didn’t know in which direction I was going to head. I took a look at what my father did — he was an accountant. I was good with numbers and liked math, and so I decided I was going to go into the business world and study accounting.”

The decision led him to his current position as assistant treasurer for risk management and insurance for Verizon Communications Inc. and to being named to *Business Insurance*’s 2015 Risk Management Honor Roll® for his achievements there.

After graduating summa cum laude in 1981 from Rider College in Lawrenceville, New Jersey, with a bachelor’s degree in accounting, he joined the New Jersey Casino Control Commission as a financial analyst and rose to the position of supervising financial analyst.

He was then contacted by a former colleague from the commission now working for Bell of Pennsylvania, who told Mr. Cammarata that Bell was hiring accountants.

The company was hiring accountants to help them move to an accounting environment that was more focused on generally accepted accounting principles, Mr. Cammarata said.

“That was 28 years ago, when I joined the company that would eventually be Verizon,” he said.

Mr. Cammarata worked his way through different finance areas within Verizon, spending eight years in internal audit and five more in corporate finance before being promoted to risk management in January 2004, his first post in charge of property risk management.

He was then promoted to head property and casualty risk management in November 2007 before being named to his current position in January 2012.

Having chosen to be an accountant, the move into risk management was a bit of a surprise for Mr. Cammarata, who said he had really never considered it when origi-



“I was good with numbers and liked math, and so I decided I was going to go into the business world and study accounting.”

David G. Cammarata,
Verizon Communications Inc.

ARNOLD ADLER

nally choosing a career.

“This is the way a lot of people enter risk management. It’s just something that happens at a certain point in time in their career. They enter into it and are surprised, and I think people make really good careers in risk management,” he said.

The move ultimately proved most fortuitous.

“It wasn’t what I would have picked for my career initially, but once I got in and saw what it was about — I love it. It’s a great career.”

Mr. Cammarata balances his strong ana-

lytical nature with a love for sports that he shares with his son and daughter, including fishing and attending as many Philadelphia Eagles, Phillies and New York Yankees games as possible while also following Syracuse University basketball.

Mr. Cammarata is also about to begin a new chapter in life with his upcoming marriage later this year.

“I tend to be more on the serious side. She helps me see the beauty and joy in the little things that make a difference in life,” he said.

By Matthew Lerner

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Preventing losses before they happen



BY JUDY GREENWALD

Rising and volatile property and business interruption rates are a problem for any risk manager, but that was particularly true for Brian W. Merkley as global director of corporate risk management with Salt Lake City-based chemical manufacturer Huntsman Corp., which has more than 100 manufacturing and research and development facilities in more than 30 countries.

The solution was a multiyear program with Norwood, Massachusetts-based FM Global, which has led to significantly reduced costs, Mr. Merkley said.

In 2009, the company, which has about 16,000 workers, launched a due diligence process with FM Global “to really try and get a clearer link between the property risk improvements made, or looking to be made, and the rates that were being charged for the insurance,” Mr. Merkley said.

This involved “thinking about things that you do to pre-

vent a loss from occurring in the first place, or being able to control it if an incident occurs.”

“For example, we manufacture chemicals at high temperatures and often at high pressures, and if there’s a loss of containment or a leak, and product or raw material escapes and finds a source of ignition, you can have a very serious incident,” Mr. Merkley said.

The question was that “we were making capital improvements to prevent the losses from happening in the first place, but if all those processes failed, what were we going to do to better control it, and do it on a fixed, automatic system?”

This also involved controlling “any potential sources of ignition, including ways to protect and operate electrical controls or open flames,” factors that have to be present for a fire explosion to occur.

“It takes a lot of effort to get that significant amount of investment made,” Mr. Merkley said. “We spent a significant amount of investment in time and in communicating and educating folks on the value of this long-time view.”

RISK MANAGEMENT HONOR ROLL®

Brian W. Merkley

HUNTSMAN CORP.

HUNTSMAN CORP.

Huntsman Corp. is a large chemical manufacturer that makes products for the chemicals, plastics, automotive, aviation, textiles, footwear, paints and coatings, construction, technology, agriculture, health care and detergent industries, among others.

Founded: 1982

Headquarters: Salt Lake City

2014 financials: \$13 billion in revenue

Employees: 16,000 in more than 30 countries

Did you know:

- Although headquartered in Salt Lake City, the company does not have any manufacturing facilities in Utah.
- Jon M. Huntsman, the self-made billionaire who founded the firm and is its chairman, also founded the Huntsman Cancer Institute in Salt Lake City and has vowed to give away his entire fortune before his death to battle the disease that claimed both his parents. He is a cancer survivor himself.

Huntsman's senior leadership, including President and CEO Peter Huntsman, "recognized the value of this kind of approach," Mr. Merkley said.

Under the long-term agreement with FM Global, "we agreed to spend \$10 million a year, and up to \$55 million in total over about five to six years, making certain risk improvements, and then in return they would reduce the rates they were charging for property insurance," Mr. Merkley said.

"We've now completed a full four years of that long-term agreement, and it's worked wonderfully. Not only have we seen the rate reductions that were promised but, more importantly, we've been making significant risk improvements at our sites," he said.

For this and several other achievements, Mr. Merkley was named to the *Business Insurance* 2015 Risk Management Honor Roll®.

Savings accumulate

Beginning with no sites at all with highly-protected risk status, Huntsman had 10 as of the end of 2014 and has spent more than \$40 million under this improvement program, Mr. Merkley said. Through the third quarter of 2014, it also completed more than 600 risk improvement recommendations, he said.

"When we look at the total economic benefit,

in both reduced rates and other savings, we estimate that at the end of last year our total cumulative benefit was over \$32 million," he said.

Catastrophes, though, continue to loom as a major potential threat. "As a chemical manufacturer, we do have a pretty significant presence" on the Gulf Coast, Mr. Merkley said. "North Atlantic hurricanes present a pretty large potential risk to us."

As part of its program with FM Global, Huntsman has learned that while the manufacturing plants "can withstand some pretty significant wind speeds," there have been some weak spots in the control buildings.

To address this, "we have been through the process of either strengthening and/or replacing roofs at key critical control buildings within our plants," Mr. Merkley said.

The company also has "very formalized" shutdown procedures in the event of a hurricane.

"The fortunate thing about hurricanes is you can see them coming," and once they approach a certain distance from Huntsman plants, the company can begin a process to shut down safely by, for example, filling up tanks, "because a full tank is much more resistant to wind damage than an empty tank," Mr. Merkley said. "We'll also begin reducing the number of operators or maintenance people at a facility."

Less predictable are earthquakes. However,

"we've identified sites that are in high hazard sites, and at several of our facilities we've put in place automatic gas shutoff valves" that can sense earth movements and will "automatically just shut off the flow of gas to a building or to a production unit, which reduces the risk of a fire following an earthquake by shutting off a key fuel source."

Working for a company that makes frequent deals means that handling merger and acquisition activity is also a challenge. "We have a close relationship with our corporate development team and our legal group" to help identify potential concerns ahead of time so that it can begin seeing "what integration might look like from a risk management perspective," he said.

As with many if not all companies, cyber security is also a concern at Huntsman.

"It can be a challenging issue at times to think through what are the potential areas of exposure to third parties," the impact on reputation, the potential disruption of business, and the potential exposures to Huntsman's manufacturing processes, he said.

Huntsman takes steps to secure its data.

"My team has clear instructions. We really don't keep data on our laptops, and we have all that on a secure, shared drive, in a centralized place."

Laptops can get lost or stolen or break, he said. "We don't want to lose any crucial data."

"My team has clear instructions. We really don't keep data on our laptops, and we have all that on a secure, shared drive, in a centralized place. We don't want to lose any crucial data."

Brian W. Merkley,
Huntsman Corp.

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- Laurent Barbagli, group risk and insurance manager, Lafarge S.A.;
- Brian W. Merkley, global director of corporate risk management, Huntsman Corp.;
- And our valued customer, David G. Cammarata, assistant treasurer of risk management and insurance, Verizon Communications Inc.



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COMMUNITY OUTREACH AFTER BIG PLANT EXPLOSION HEADS OFF BEST EFFORTS OF PLAINTIFF LAWYERS

Proactive approach involves fast action to clean up surrounding area, answer concerns

BY JUDY GREENWALD

A disastrous 2006 fire led Huntsman Corp. to take a new look at its safety procedures.

Brian W. Merkley, global director of corporate risk management for the Salt Lake City-based chemical manufacturer, was driving his son back from Boy Scout camp in April 2006 when he learned of the major fire at the company's Port Arthur, Texas, facility.

"We were driving down the canyon when we got the call that this massive fire and explosion had occurred," he said. It happened when a pipe that had become corroded, but could not be visually inspected because of its location, severed and released its contents, and found an ignition source nearby which resulted in a massive fire.

The fire, which had a direct loss impact of more than \$600 million, continued to burn for several days. Fortunately, nobody was hurt. Company personnel had already detected something was wrong and evacuated personnel from the area.

"That was a testament" that controls had been in place, "but we recognized it had the potential to be much worse," Mr. Merkley said.

Consultants along with Hunts-



MICHAEL MARCOTTE

Mr. Merkley (right) with International Risk and Insurance Manager Matt Wallace and Administrative Assistant Lindsay Hyatt.

man's The Woodlands, Texas, corporate office and plant personnel worked together and developed an action plan.

"I got out, and I walked some of

the affected neighborhoods. I was visiting some of the residents, hearing about their issues." These were immediately addressed, in some cases by power washing

houses, getting cars cleaned and repairing homes.

On several occasions, said Mr. Merkley, he discovered he was just ahead of, or behind, plaintiff attorneys canvassing the neighborhood in an effort to find clients.

Shortly after the fire, Huntsman also organized a community meeting that included plant management and environmental experts. "In the back of the room, we had our claims management folks right there, ready to take residents' complaints," Mr. Merkley said.

In addition, "We set up a 24-hour call center, and the ground team stayed in place for several weeks while we addressed every legitimate concern," he said.

All that attention paid off, because not a single lawsuit in connection with the fire was filed, which was "remarkable" and a "real testament to taking a proactive approach to getting things fixed," Mr. Merkley said.

There were long-standing effects of the fire as well, according to Mr. Merkley, who had been at Huntsman less than a year when the fire occurred. While Huntsman had had safety standards already in place for a number of years, before the fire "it was left to each facility to come up with, or develop, their

own approach and procedures as to how they would meet these standards, and what we found is, we needed to do better. We needed to up our game."

Over a period of about a year and a half, "we developed a set of process safety procedures that spelled out in great detail exactly how plants should go about process safety and meet environmental and safety standards."

"We began rolling these out, first to our high-hazard sites, and then our medium-hazard sites," Mr. Merkley said. At the same time, "our process safety experts were doing gap analyses," developing action plans to close any gaps between existing situations and the new standards.

This was coupled with audits that were measured against those standards, which included verifying those gaps were closed, he said.

These procedures were also translated into its workers' principle languages, Mr. Merkley said.

"You can't expect someone in Hungary or Thailand or Malaysia, China or even France or Germany" to know English, he said. "We needed to make sure people were trained in their own language, that they understood the procedures."

HUNTSMAN'S 'INSURANCE CHAMPIONS' DELIVER INTELLIGENCE TO RISK MANAGEMENT STAFF

Huntsman Corp.'s risk management philosophy is to retain risk when it makes good economic sense, and to transfer it to insurers when that makes sense, said Brian W. Merkley, global director of corporate risk management for the Salt Lake City-based firm.

Huntsman retains risk where it is consistent with its financial ability to retain risk and with other requirements, such as debt covenants, Mr. Merkley said.

But the chemical manufacturer also chooses "to transfer those risks to third parties like insurers where it makes sense to do so," he said.

There are three instances where this happens, he said: to stabilize cash flows in the event of a catastrophic risk; to satisfy regulatory or contractual requirements where buying insurance is the only option; and where the insurance's value exceeds its cost, such as in cases where the coverage is bundled with a service, such as loss adjustment. "As a large organization, we do use a variety of risk financing mechanisms and insurance to meet the business' complex needs," Mr. Merkley said. There are 15 key programs that fall into five major types: prop-

erty, corporate liability, marine, aviation and management liability.

The company has fronted programs, for example, for its U.S. and international primary general liability programs, while other programs have high deductibles, such as its U.S. workers compensation and owner-controlled insurance programs.

The company has a Utah-domiciled captive, International Risk Insurance Co., that Huntsman moves lines of business into and out of depending on market conditions, Mr. Merkley said. The captive was redomiciled from Vermont to Utah, where it does not have to pay premium taxes, in 2006.

Three members of Huntsman's risk management team work out of the company's headquarters in Salt Lake City, and the remaining two are in Midland, Texas.

Beyond the risk management team, Huntsman Corp. follows an "insurance champions" approach, with a champion for each of the company's five operating divisions: advanced materials, performance products, pigments, polyurethanes and textile effects. There are additional champions for India and China.

"Insurance is not the full-time responsibil-

ity of these champions, but they serve as key liaisons between corporate risk management and the business, and serve as a channel through which we gather information, disseminate instructions and coordinate key claim matters," Mr. Merkley said.

He said there are separate liaisons for China and India because "those insurance markets have unique characteristics relative to some of our global programs. We place local underlying coverages in those countries currently, and we need someone on the ground to coordinate local brokers and with our local offices."

These insurance champion executives "wear different hats" within the corporation, Mr. Merkley said. They could have a controller function, an environmental health and safety responsibility, "or even engineering or capital coordination."

Those who are selected from each division "seem to be the best individual fit for that role," said Mr. Merkley of the system, which has been in place for at least a decade. A few have held that role from the system's inception, he said.

The insurance champion approach is part of Mr. Merkley's "workable intelligence sys-

tem," which includes both external partners as well as the company's various groups and businesses. The concept behind it is to see to it that "we're getting a good flow of information on key risk issues," said Mr. Merkley, who joined the company in 2005 and was named Huntsman's global director in 2010.

Mr. Merkley receives high praise from those who work with him. "He has the utmost integrity," said Edwin Watts, senior account manager for Norwood, Massachusetts-based FM Global, who has known and worked with Mr. Merkley for five years. "He's got the most tools of any risk manager than I've ever dealt with in my 44 years in the business."

Steven R. Danielsen, senior vice president and global account executive for Aon P.L.C. in New York, who first met Mr. Merkley in 2008, describes him as highly competent and intelligent.

"Honesty and ethics are right at the top, and transparency was always the rule of the day, whether it's working with brokers, underwriters and the insurance industry in general," Mr. Danielsen said.

By Judy Greenwald

OWNER-CONTROLLED INSURANCE PROVIDES OVERSIGHT, MILLIONS IN SAVINGS

Huntsman Corp.'s owner-controlled insurance program has saved the company about \$20 million since its inception, according to Brian W. Merkley, the Salt Lake City-based chemical manufacturers' global director of corporate risk management.

Under the OCIP, which was established in 1996, "we provide workers compensation and general liability insurance for our contractors that do certain maintenance and construction activities" for the company's larger U.S. sites, Mr. Merkley said.

"In return for Huntsman arranging the insurance and paying all the premiums and the claims within the program's deductibles, we ask contractors to reduce their labor rates equal to the amount that they otherwise would have paid," he said. These are funds "they would have charged us in their rate, if they had had to provide those insurances on their own," which is known as a bid deduction, he said.

Mr. Merkley said one of the things he did within the first few months of joining Huntsman in 2005 was to bring many of the OCIP administration activities in-house, including tracking payroll reports and managing claims. "We feel that improved the overall information flow and coordination with our U.S. purchasing, legal and environmental health and safety teams," he said.

"And it aided immensely in terms of tracking contractors who were actively doing work at our sites, managing the claims, analyzing the losses, forecasting contractor payrolls and bid deductions, as well as evaluating the overall economics of the program," Mr. Merkley said.

The risk management department conducts an actuarial study semiannually, looking at how much the company has saved by putting this program in place, and "it's made good economic sense, from a cash-flow savings and from an ultimate incurred loss basis," he said.

"More qualitatively, I would say it provides greater certainty around contractors' insurance coverage. It eases the overall contracting process, it definitely improves control over claims, it's virtually eliminated disputes with our contractors when a loss does occur, and it's delivered for us an average of about a million dollars in savings per year, so we're talking \$20 million over the course of the program," Mr. Merkley said.

Huntsman also has a construction all-risk program. "We're doing expansions around the world where every year we'll spend hundreds of millions or billions in capital, either building new facilities or expanding existing facilities," he said.

Mr. Merkley has put in place a multiyear global construction all-risk facility for larger projects valued at more than \$25 million over

the past few years, covering projects in North America, Europe, the Middle East and Asia, particularly China.

This is a builder's risk program covering physical damage that might happen in a plant during construction, or third-party liabilities that might arise because of construction activities, including harm to contractors, Mr. Merkley said.

"Traditional solutions involve detailed underwriting on each particular project, so you're getting into very detailed specs, design and technical details, local and/or

international marketing in the insurance market before each project," and this has been a burden "for not only my team but also for the project manager at the particular location," he said.

This program "would allow for really more automatic property and (general liability) coverage" and permits the company to do so "in an efficient fashion," he said.

Furthermore, he said, "It really created more certainty around the actual coverages, so by bringing to market a lot of different projects at once, we could negotiate broad coverage terms," designate claims

adjusters and negotiate coverage enhancements, including for design errors and faulty workmanship.

This approach also takes into account possible delays in startups that might occur because of physical damage losses.

"You build this plant, you go to start it up or commission it, and something happens," Mr. Merkley said. "It catches on fire, or it explodes, or a heat exchange doesn't work correctly, and it just results in all sorts of fouling and clogging up of pipes and reactors."

But with this program, "You can

put projections around delay in startups, essentially fixed costs, and any interest charges if it is a bank-financed project," he said.

"What we found is it also greatly facilitates just the contracting process," Mr. Merkley said. "It seems to work a lot better with us bringing the program to bear, the insurance protections, rather than having to do all the back-and-forth negotiations with the actual contractor responsible for building the plant. So it's ultimately been a much more efficient construction risk solution."

By Judy Greenwald



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Brokers, underwriters go hands-on to establish better understanding

A collaborative approach with key partners including brokers and insurers is a significant factor in the risk management philosophy followed by Brian W. Merkley as global director of corporate risk management at Salt Lake City-based chemical manufacturer Huntsman Corp.

"It's something I feel very strongly about," Mr. Merkley said. "Certainly, they have a better understanding of you as a client and your needs. It also allows them to bring forward solutions or ideas that can help improve things."

One example of this approach is Huntsman hosting insurance conferences at various venues that include its brokers and underwriters, where the company's senior leadership talks about its business, plans and strategies.

Underwriters "come away from these experiences with a much better understanding of who we are, what our risks are and what we do to manage them," Mr. Merkley said. "The other thing I make a point to do in terms of building collaboration with our brokers and underwriters is to actually take them out to our manufacturing facilities, not only here in the U.S., but around the world."

"I've taken my broker or underwriter, sometimes both, to facilities in China, India, Singapore, Malaysia, Thailand, the U.K., Belgium, the Netherlands, Switzerland and Germany," he said.

A trip to northern Italy is being



MICHAEL MARCOTTE

Huntsman Corp. Executive Vice President and Chief Financial Officer Kimo Esplin (from left) with Mr. Merkley and Vice President of Planning and Treasurer John R. Heskett.

planned, as well as another to sites in Germany and Finland, where Huntsman bought some significant facilities last year as part of an acquisition.

However, sometimes a trip can turn into more of an adventure than they bargained for.

Mr. Merkley said he was on a trip with his broker and underwriter in 2010 when the plan was to stop in Saudi Arabia on their way to India, which happened to coincide with the turmoil created by the Arab Spring. "We wound up having to scrap the trip," he said. "Stuff just happens."

On another occasion, Mr. Merkley was on a train between Amsterdam and Rotterdam, Netherlands, when the company

launched a test of its corporate crisis response plan. Mr. Merkley is only given a general idea of when these are scheduled.

"These are pretty involved drills" where "you'll get a text or a phone call, and such-and-such just happened at this location." Mr. Merkley is then supposed to notify broker partners and key underwriters who might be involved.

As part of this particular drill, on Mr. Merkley's checklist of things to do was to notify Huntsman's casualty broker and property underwriter. "Funny enough, they were both sitting across from me at the moment on the train, so I got the call and said, 'Okay, you're immediately notified.'"

By Judy Greenwald

ENTERPRISE RISK MANAGER CO-AUTHORED BOOK ON TOPIC

Brian W. Merkley, global director of corporate risk management at Salt Lake City-based chemical manufacturer Huntsman Corp., is so passionate about enterprise risk management he has helped write a book about it.

"Enterprise Risk Management: Trends and Emerging Practices," which is still in print, was published 14 years ago with co-authors Mr. Merkley, Kevin Hively and Jerry A. Miccolis, with Mr. Merkley the primary coordinator on the project. Mr. Merkley was a Dallas-based risk management consultant with Tillinghast-Towers Perrin Inc., now part of Towers Watson & Co., at the time.

It took a year to complete, but "it was a fascinating study," he said, that involved a survey of global organizations and case studies of different organizations and their approach to enterprise risk management, which was "something that I certainly had a lot of interest in."

Mr. Merkley said shortly after he joined Huntsman, the company's treasurer at the time was asked to participate in a roundtable on risk management, but had a scheduling conflict, and asked Mr. Merkley to go in his place.

He called Mr. Merkley into his office and said, "What they really want to talk about is ERM. I don't know how much you really know about this topic, but I've got this book" — and handed Mr. Merkley a copy of his own book.

When Mr. Merkley pointed out to the treasurer that he had co-authored it, the treasurer chuckled and said, "All right, I'm sure you can handle it," he said.

Not long after that meeting, Huntsman put together a treasury/risk council whose participants include key company leaders around the world who manage issues such as foreign exchange risk, credit risk and capital structure and hazard risks in addition to risk management, Mr. Merkley said.

"We've been meeting monthly ever since," he said.

The company also has conducted an enterprise risk assessment, which it updates typically every two years in addition to making regular reports to the board, Mr. Merkley said. "We're coordinating the process by which senior business leaders or senior functional leaders present to the audit committee on specific risks."

This has led to a number of spinoff projects, Mr. Merkley said. For instance, the company is now digging deeply into the issue of single-source suppliers, which emerged out of the 2011 tsunami in Japan and flooding in Thailand.

Mr. Merkley said Huntsman had asked FM Global to do a study of its pigments division worldwide, and one of the factors highlighted in the report was the company's reliance on single-source suppliers. That led to the companywide study of the issue, he said.

There are a number of reasons as to why companies may have sole-source suppliers, Mr. Merkley said. It is a matter of "understanding what are the various tools we can bring to bear to understand the risk and manage it."

By Judy Greenwald

SCIENCE BACKGROUND LED TO FASCINATION WITH RISK MANAGEMENT

Like many others in the risk management profession, Brian W. Merkley, 47, global director of corporate risk management for Salt Lake City-based chemical manufacturer Huntsman Corp., did not set out to become a risk manager. But he became fascinated with the discipline along the way.

Mr. Merkley was born in Salt Lake City, where his father, who became a microbiology professor, was earning a doctorate at the University of Utah, Mr. Merkley said.

The family moved when he was 1½ years old to Des Moines, Iowa, where he grew up. As college students, he and his wife, Leslie, attended Brigham Young University in Provo, Utah, where he majored in molecular biology with an emphasis on environmental microbiology.

"I didn't want to be a doctor. I wanted to go into business where

we were applying the science," Mr. Merkley said.

A summer job led to a position as a scientist involving cleanup technology, and then a position as a project manager, he said. It was then, while going to dinners and conferences, that he heard clients and customers talking about "fascinating risk management issues."

"This got me really excited by risk management in general, and corporate risk management in particular," he said. It led to Mr. Merkley obtaining an MBA at the University of Georgia in Athens, with an emphasis on risk management and insurance and finance.

A summer job with Tillinghast-Towers Perrin Inc., now part of Towers Watson & Co., in Dallas led to an after-graduation job as a consultant. Then a call from the risk manager for Koch Industries Inc. led to another move to the firm's Wichita, Kansas, headquar-

ters in 2003.

With most of Leslie's family in the Salt Lake City area, Mr. Merkley began "looking for an opportunity to get back closer" to the area. Around that time, Huntsman was going public.

"They had a small risk management shop. They were looking to put in place some additional risk management capabilities and establish a succession plan for the former director, and we found each other, and it was a great fit," he said.

Mr. Merkley joined Huntsman as a risk financing manager in 2005 and was named global director in 2010.

He lives about a 45-minute to an hour-and-a-half commute away from his office depending on traffic, but because of the global nature of his job, he is often on early morning or late-night calls from home.



MICHAEL MARCOTTE

Mr. Merkley is chairman of Boy Scouts of America's national insurance committee.

And because Huntsman also has facilities in the Middle East, it also can involve doing business on Sat-

urday and Sunday as well, not to mention Christmas and New Year's.

"There's never a quiet moment," he said.

Mr. Merkley also spends about a quarter of his time traveling and has two passports, in case he has to submit one to obtain a visa.

Mr. Merkley and his wife have a married 21-year old son, Chandler, who works as a risk analyst for a financial firm; and a 4-year old son, Boston, who was named by his older brother.

"We always wanted to have more kids," he said. "We thought we'd be parents of an only child forever, and guess, what? The Lord has a funny sense of humor."

In his spare time, Mr. Merkley loves to fly fish, and plans to learn to ski. An Eagle Scout, he is chairman of Boy Scouts of America's national insurance committee.

By Judy Greenwald



Mr. Cunningham



Mr. Dahl



Mr. Denton



Mr. Jones



Mr. Lupica



Ms. Snow



Mr. Zachry

Independent panel of judges

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

The Risk Management Honor Roll® was introduced in 1981.

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

- Judges for the 2015 awards were:
- Eamonn Cunningham**, chief risk officer at Scentre Group in Sydney and a member of the 2014 Risk Management Honor Roll®.
 - Brett E. Dahl**, director of the Risk Management and Tort Defense Division for the state of Montana and a member of the 2014 Risk Management Honor Roll®.
 - Steve Denton**, CEO of Atlanta-based brokerage Beecher Carlson Holdings Inc. and regional vice president of Brown & Brown Inc., Beecher Carlson's parent company.
 - James Jones**, director of the Katie School of Insurance and Financial Services at Illinois State University in Normal, Illinois.
 - John Lupica**, vice chairman of Ace Ltd. and chairman of insurance-North America.
 - Carolyn Snow**, director of risk management at Louisville, Kentucky-based Humana Inc. and the immediate past-president of the Risk & Insurance Management Society Inc.
 - William M. Zachry**, vice president of risk management at Safeway Inc. in Pleasanton, California, and the 2014 Risk Manager of the Year®.

METHODOLOGY

- The judges scored each nominee on a scale of 1 to 10, according to how well he or she:
- Established and implemented an effective risk management program within the organization.
 - Tackled and solved one or more major problems for his or her organization.
 - Innovatively applied the diverse tools of risk management and insurance.
 - Creatively and effectively used risk financing/insurance to structure a risk financing and risk transfer program that served the needs of the organization.
 - Established a workable intelligence system inside and outside the organization that culminated in a flow of information about events and activities that affect the organization's risk management and insurance.
 - Skillfully performed the functions of management in the overall organization and within the risk management/insurance department.
 - Achieved the most effective program at the optimum cost over the long term.
 - Developed technical expertise in any or all of the broad categories included within risk management, leading to a better managerial grasp of the operations aspects of the job.
 - Exhibited an attitude and performed activities fostering the advancement of the risk management profession.
 - Developed his or her career.

ZURICH SALUTES THOSE WHO SHARE A PASSION TO PROTECT THEIR BUSINESSES.



Zurich congratulates **Kathleen Ireland**, IBM, upon being named Business Insurance 2015 Risk Manager of the Year®.

We also applaud 2015 Risk Management Honor Roll® members: **Laurent Barbagli**, Lafarge S.A., **David G. Cammarata**, Verizon Communications, and **Brian W. Merkley**, Huntsman Corp.

Thank you for demonstrating a dedication to excellence in protecting your businesses that represents a standard for the risk management field to aspire to.

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In the United States, insurance coverages are underwritten by individual member companies of Zurich in North America, including Zurich American Insurance Company. Certain coverages are not available in all states. Some coverages may be written on a non-admitted basis through licensed surplus lines brokers. Prior results do not guarantee a similar outcome. Risk engineering services are provided by Zurich Services Corporation.

W.R. Berkley unit offers cyber endorsement

Nautilus Insurance Group, part of W.R. Berkley Corp., has launched a cyber endorsement to offset the costs of a data breach, the Scottsdale, Arizona-based insurer said.

The first-party cyber coverage, available as an endorsement to Nautilus' general liability policy, offers a sublimit of \$25,000 and a minimum premium of \$100, a spokesman for the company said.

The policy covers notification assistance, cyber investigation and crisis management expenses, as well as regulatory proceeding costs, Nautilus said in a statement.

Nautilus Insurance writes on behalf of Berkley units Nautilus Insurance Co. and Great Divide Insurance Co.

Aspen, Starr launch international cover

Aspen Insurance, part of Aspen Insurance Holdings Ltd., and Starr Cos. will form a vehicle to write international property insurance with a strong focus on European-headquartered industrial companies, Aspen said in a statement.

The companies have signed a memorandum of understanding under which both parties will enter into a joint underwriting initiative to focus on property underwriting, according to the statement. The initiative will be branded Aspen Starr Property and write business under the licenses of Aspen Insurance.

The venture plans to start writing business in May and the team will be based in Aspen Insurance's offices in Zurich, an Aspen spokesman said.

Béat Bertschi, previously with Infrasure Ltd., will lead the venture and will report to Heinz Eggenberger, general manager for Aspen Insurance in Switzerland.

"The initiative will draw on the considerable experience and technical expertise of two strong partners who have a good understanding of complex global risks," Mario Vitale, CEO of Aspen Insurance, said in the statement.

"Starr and Aspen together have substantial experience working with European insurance buyers and the market environment," Maurice R. Greenberg, CEO of the Starr Cos., said in the statement.

XL offers excess policy for environmental risks

XL Group P.L.C. has launched an environmental excess insurance policy for customers in the United States and Canada.

The policy, which provides additional pollution limits of up to \$50 million over another insurer's environmental policy, can be written over both occurrence and claims-made policies, XL said in a statement.

XL also said the follow form includes limited underwriting conditions and has no built-in exclusions.

Coverage is provided by XL's Indian Harbor Insurance Co. and Greenwich



Sharia-compliant equine coverage at Lloyd's

***** XL Group P.L.C. and London-based managing general agency Cobalt Underwriting Services Ltd. have launched Sharia-compliant equine coverage.

The policy, which is sold through Lloyd's of London, covers named perils, mortality, theft, infertility and permanent disability, XL said in a statement.

A spokeswoman for the company had no further information on the policy limits or premiums.

"Until now, owners, especially those of Arabian horses, have not had the opportunity to insure their treasured animals in a Sharia-compliant manner," Guy Morrison, chief underwriting officer of equine at XL, said in the statement. "We hope this coverage will give owners the reassurance that their horses are well covered when participating and supporting the vibrant equine industry at events around the world."

Insurance Co. in the United States, and by XL Insurance Co. S.E. in Canada, according to the statement.

"For most companies, environmental incidents are low-frequency events, but they often carry a hefty price tag including cleanup costs and third-party claims," Matt O'Malley, president of XL's North America environmental team, said in the statement. "This new excess policy protects clients with environmental exposures that could lead to a multimillion-dollar claim."

Best opens in Singapore to serve Asia, Australia

Credit rating agency A.M. Best Co. Inc. has opened an office in Singapore.

The office will provide ratings to insurers, reinsurers, takaful operators and captive insurers in Singapore and across the Association of Southeast Asian Nations and Australasia regions, the Oldwick, New Jersey-based firm said in a statement.

The office will be led by Roger Sellek, CEO of Best's operations outside of the Americas, the company said.

Best's team of specialist credit rating analysts in Singapore will be led by MM Lee, head of analytics for Asia-Pacific.

"Singapore is the obvious choice for a credit rating agency serving the insurance sector, as it is home to almost 250 insurers, reinsurers, captives and broking companies," Mr. Sellek said in the statement. "It can truly lay claim to be the international insurance and reinsurance hub of Southeast Asia."

Best currently rates 13 Singapore-based companies and has nearly 40 live ratings across the Association of Southeast Asian Nations, according to the statement.

Trade credit insurer offers specialist claims service

Trade credit insurer Equinox Global Ltd. has launched a specialist claims service to be led by John Davison.

As head of claims, London-based Mr. Davison will build Equinox's claims service while providing technical support to the underwriting team, the London-based firm said.

Mr. Davison joins Equinox from specialist broker Credit & Business Finance Group L.L.P., where he was an account manager, Equinox said.

Willis unveils risk analysis tools

Willis Group Holdings P.L.C. has launched analytical tools for determining natural catastrophe risk, cyber risk, directors and officers liability risk and casualty-related losses.

The tools, which are part of Willis' Core Analytics tool suite and available to Willis clients at no cost, aim to help firms increase their understanding of risk and support proactive risk management decisions based on data and analytical principles, Willis said in a statement.

The global peril diagnostic tool evaluates the risk of a company's property portfolio and includes a view of the most vulnerable properties across major natural catastrophe perils such as earthquake, tropical cyclone and hurricane, river flood, tsunami and storm surge, Willis said.

Willis' PRISM II cyber privacy tool, an evolution of the broker's original privacy risk and insurance strategy model, calculates the effect and likelihood of a privacy breach while helping an organization determine risk transfer strategies and financing limits.

The dynamic casualty forecast tool provides a picture of an organization's potential casualty losses and the resulting effect on a firm's financial results, according to the statement.

And the D&O quantified model evaluates a firm's loss potential related to D&O liability exposures, Willis said. The tool incorporates customer-specific stock price trends, price volatility, corporate governance, accounting metrics and valuation dynamics to provide insights into claim frequency and severity.

DEALS & MOVES

Optum acquires urgent care company

UnitedHealth Group Inc.'s Optum Inc. division has bought MedExpress, an operator of urgent care clinics. Terms of the deal were not disclosed.

MedExpress runs 141 urgent care clinics in 11 states. This year, MedExpress plans to open 25 to 30 additional clinics, which house practitioners who treat routine injuries and illnesses.

Optum provides consulting, management and data analytics services to hospitals, payers and other health care companies.

The MedExpress deal puts UnitedHealth in the low-cost provider setting, and it builds off two other acquisitions Optum disclosed last year. In September, Optum agreed to acquire MedSynergies, a physician practice consulting firm. It bought care-monitoring company Alere Health for \$600 million a month later.

Modern Healthcare

Arthur J. Gallagher buys California insurance broker

Arthur J. Gallagher & Co. has acquired Huntington Beach, California-based Madison Risk & Insurance Services. Terms of the transaction were not disclosed.

Madison provides property/casualty and risk management insurance and consulting services for the health care industry, including coverage for hospitals, individual and group physicians, physician assistants, health systems, nurse practitioners, and allied facilities and providers, Gallagher said in a statement.

Madison's Anthony Bowen, Kathryn Bowen and their associates will stay on under the direction of James McFarlane, head of Gallagher's western retail property/casualty brokerage operations.

Crum & Forster merges with specialty insurer

The Redwoods Group Inc. and surplus lines insurer Crum & Forster Insurance Co., part of Fairfax Financial Holdings Ltd., have agreed to merge, Redwoods said in a statement.

Terms of the deal were not disclosed, Morrisville, North Carolina-based Redwoods said.

Redwoods provides insurance and risk management services to youth-serving organizations such as YMCAs, Jewish community centers, and residential and day camps.

As part of the deal, Redwoods will operate as an independent brand of Morristown, New Jersey-based Crum & Forster, and its senior leadership team and staff will remain at the firm's current location, Redwoods said.

Gallagher expands in Latin America with purchase of retail broker

Arthur J. Gallagher & Co. has bought a majority stake in Vina del Mar, Chile-based retail insurance brokerage Bareyre Corredores de Seguros S.A., Gallagher announced.

Terms of the deal, which was handled through the Itasca, Illinois-based brokerage's international arm, were not disclosed.

Bareyre specializes in marine and shipping insurance.

CLASSIFIEDS

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PUBLIC NOTICES



Consider this page officially hacked. Ha! Seriously, I am laughing at you right now. (Plus, I find emojis and LOL very annoying.)

- Arch Enemy

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ANTI-FRAUD NOTICE

Amalgamated Life Insurance Company is committed to preventing fraud in regard to the insurance coverage it issues. Therefore, Amalgamated Life, as required by the New York State Department of Financial Services makes the following statement:

Any person who knowingly and with intent to defraud any insurance company or other person, files an application for insurance or statement of claim containing any materially false information, or conceals for the purpose of misleading, information concerning any fact material there to, commits a fraudulent insurance act, which is a crime and shall also be subject to a civil penalty not to exceed five thousand dollars and the stated value of the claim for each such violation.

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REQUEST FOR PROPOSAL

NEW YORK CITY HOUSING AUTHORITY

**-PUBLIC NOTICE-
INVITATION FOR BID
PRIMARY/EXCESS GENERAL,
AUTOMOBILE, NON-OWNED & HIRED AUTOMOBILE,
EMPLOYEE BENEFITS (CLAIMS MADE)
LIABILITY INSURANCE**

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, 2015.

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:**

Edgewood Partners Insurance Center
One Stamford Plaza, 263 Tresser Boulevard
Stamford, CT 06901-3226
at (203) 658-0512

In order to be eligible, completed bid proposals must be received by 3:00 P.M. EST on June 3, 2015.

All inquiries for additional information regarding the Invitation for Bid are to be directed to **Rebecca Oliver, Vice President, at the aforementioned address, telephone or e-mail at: rebecca.oliver@epicbrokers.com.**

NYCHA IS NOT SOLICITING QUOTES FROM BROKERS



Bill De Blasio, Mayor, New York City
Shola Olatoye, Chair, NYCHA

REQUEST FOR PROPOSAL

NEW YORK CITY HOUSING AUTHORITY

**-PUBLIC NOTICE-
INVITATION FOR BID
PUBLIC OFFICIALS/EMPLOYMENT PRACTICES
LIABILITY INSURANCE**

The New York City Housing Authority ("NYCHA") requests Proposals from qualified **INSURANCE CARRIERS** for Public Officials/Employment Practices 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, 2015.

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NYCHA IS NOT SOLICITING QUOTES FROM BROKERS



Bill De Blasio, Mayor, New York City
Shola Olatoye, Chair, NYCHA

LEGAL NOTICE

NOTICE OF MEETINGS OF SCHEME CREDITORS
IN THE HIGH COURT OF JUSTICE No. 3827 of 2001
CHANCERY DIVISION
COMPANIES COURT

**IN THE MATTER OF
INDEPENDENT INSURANCE COMPANY LIMITED
(IN PROVISIONAL LIQUIDATION) (THE "COMPANY")
AND
IN THE MATTER OF THE COMPANIES ACT 2006**

NOTICE IS HEREBY GIVEN that by an Order dated 16 March 2015 the Court has directed that meetings of two classes of Scheme Creditors (as defined in the scheme of arrangement hereinafter mentioned) of the Company be convened (the "Scheme Meetings") for the purpose of considering and, if thought fit, approving (with or without modifications) a scheme of arrangement proposed between the Company and the Scheme Creditors pursuant to Part 26 of the Companies Act 2006 (the "Scheme") and that the Scheme Meetings will be held concurrently at PricewaterhouseCoopers LLP, 7 More London Place, London SE1 2RT commencing at 10 a.m. (London time) on 1 June 2015 at which place and time all such Scheme Creditors are requested to attend.

Scheme Creditors may vote in person at the Scheme Meetings or they may appoint another person, whether a Scheme Creditor or not (including the Chairman) as their proxy to attend and vote in their place.

Scheme Creditors are encouraged to return completed and signed Forms of Voting and Proxy electronically by email to the Company at ilcscheme@capita.co.uk without delay or alternatively by post or personal delivery to IICL-SOA, PO BOX 5456, Manchester, M61 0LE marked for the attention of the Scheme Manager. In either case, Forms of Voting and Proxy must be received by no later than 5 p.m. on 29 May 2015. In addition, valid and executed Forms of Voting and Proxy will be accepted by the registration desk up to one hour prior to the time at which the relevant Scheme Meeting is scheduled to commence or by the Chairman at the relevant Scheme Meeting.

A short statement explaining the effect of the Scheme, together with Forms of Voting and Proxy for use at the Scheme Meetings, is being sent to all known Scheme Creditors of the Company. Copies of the proposed Scheme, explanatory statement and Forms of Voting and Proxy may be downloaded from the Company's website, www.independent-insurance.co.uk, and are also available on request by email to ilcscheme@capita.co.uk or by post addressed to Scheme Manager, IICL-SOA, PO BOX 5456, Manchester, M61 0LE.

By its Order, the Court has appointed Mark Charles Batten or, in his absence, Dan Yoram Schwarzmann, both of PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT to act as Chairman of the Scheme Meetings and has directed the Chairman to report the result of the Scheme Meetings to the Court.

In the event that the Scheme Creditors vote in favour of the Scheme, it will be subject to the subsequent approval of the Court.

For queries in relation to the Scheme or completing your voting form, please call the IICL helpline on +44 (0)161 274 8837

REINSURERS

Continued from page 4

you are buying a future value promise, which may or may not be realized based on what happens or does not happen in the market,” said Mr. Kumar, who in analyst notes recommended PartnerRe shareholders accept the Exor proposal.

“I’m sure the Partner shareholders are thinking about near-term returns and what the benefit is to them, and it’s hard to turn down cash that’s certain and a little bit more of an immediate payoff than what Axis is offering,” Mr. Gallant said.

Exor “explained themselves pretty well in their (investor) call in terms of what the return hurdles are. Partner seems like a company with a good balance sheet, and it produces good cash flow, so it kind of makes sense for

Exor. It seems like a pretty legitimate offer,” he said.

Still, Mr. Gallant said, “I do think the Axis-Partner combination seemed compelling; it seems like there are a lot of positives to that combination.”

“Certainly (Axis) management believes, and I also believe, there is compelling rationale in combining these insurance enterprises,” said Meyer Shields, managing director at Keefe, Bruyette & Woods Inc. in Baltimore. “I think as long as they cover most of the gap between what Exor has offered, probably in the form of a special dividend, then I think they can make their pitch to shareholders.”

In an internal memo to Axis employees, Axis CEO Albert Benchimol said, “We are fully committed to our combination with PartnerRe.”

“For now, nothing changes,” Mr. Benchimol said in the memo. “We will continue to execute on Axis’

business plans for 2015 to meet the expectations of our existing shareholders while moving forward on integration planning underway with PartnerRe.”

The already competing bids for PartnerRe could have some company.

“We assume that there could be some potential room for additional bids coming out there,” said Brian Schneider, Chicago-based senior director of insurance at Fitch Ratings Inc., which placed PartnerRe on rating watch negative following announcement of the agreement to merge with Axis.

Following Exor’s bid, Standard & Poor’s Ratings Services revised its outlook of Exor to negative from stable while affirming its BBB+/A-2 corporate credit rating.

Questions of valuation also have arisen, with analysts saying PartnerRe’s redundant reserves may make it potentially more valuable than at first glance.

“I think it’s widely believed that Partner has excess reserves, and so its book value might be understated,” said Mr. Gallant. “So, you could pay above stated book and still be getting a good value.”

Saying PartnerRe is “considerably over-reserved” with a strong record of reserve releases, Mr. Shields said PartnerRe’s “economic value is higher than the current share price,” which was \$128.96 at the market close on Friday.

Given these facts, “it wouldn’t be difficult at all to justify a price in the \$135 per share to \$140 per share range,” Mr. Shields said.

Should the Axis-PartnerRe merger not be completed, Axis would receive a breakup fee of \$250 million, “equal to approximately 30% of (Axis) 2014 earnings,” Moody’s Investors Service Inc. said in an investor note that described Exor’s bid as “credit negative” for PartnerRe and Axis.

LLOYD’S

Continued from page 6

In addition, size and reputation matter when it comes to being the lead underwriter, since larger syndicates typically lead more slips, apart from very specialized areas, she said.

Under Solvency II, a larger and more diversified book of business results in less onerous capital requirements, Ms. Bender said.

Investors also may influence size, Mr. Flanagan said. Large corporate investors may be more keen to support scale, while individual investors, known as names, might be more aligned with smaller niche syndicates, he said.

The recent adoption by brokerages such as Aon P.L.C. and Willis Group Holdings P.L.C. of market facilities to place certain lines of business, has “pertinence to the size of a syndicate” to quickly tap large lines of capital to take part in such facilities, Mr. Flanagan said.

But smaller syndicates have reacted to this development by forming consortia for certain lines of business to offer sizable lines on slips, he said.

“The main drivers towards consolidation are costs, capital ratios and broker efficiency,” said Robert Smith, director at Syndicate Research Ltd. in London.

“A syndicate writing a general book of business will have to be a certain scale in order to operate efficiently, achieve a diversified book with a lower capital ratio and be meaningful to brokers,” he said.

But smaller, more focused syndicates also can operate efficiently, he said.

If they are supported by a diversified spread of investors, syndicates’ capital ratios likely will be lower, he said.

While having a number of very large syndicates may be seen as a threat to the relevance of the Lloyd’s model of a syndicated marketplace, great advantages remain and these businesses wish to remain at Lloyd’s, Mr. Flanagan said.

“These are not altruistic, sentimental” reasons, he said, pointing out that many of the CEOs of the largest Lloyd’s businesses — such as Charles Philipps at Amlin P.L.C., Bronek Masojada at Hiscox Ltd. and Andrew Horton at Beazley Group P.L.C. — “are capital markets people” by background “who take decisions devoid of sentimentality.”

Access to global licenses that Lloyd’s offers is one huge advantage of operating there, which allows immediate underwriting based on those licenses rather than having to go through a time-consuming and costly application process, he said.

There are also capital advantages for syndicates, in part because the market is backed by central capital resources, which might allow business to release capital to shareholders or use capital elsewhere, he said.

MINIMUM

Continued from page 3

workers comp reforms that the group believes are needed in Illinois. Still, she said, a minimum wage could increase comp benefits for certain workers.

“There may be a potential impact to those employees who are injured who are at minimum wage that ... they would receive a higher indemnity benefit, assuming that their injury was work-related,” Ms. Nowak said.

Bills for Gov. Rauner’s workers comp proposals have not yet been introduced in the Illinois General Assembly, which has made it difficult to determine the potential effect of those reforms, Ms. Nowak said.

Observers said the minimum wage increase likely was included in Gov. Rauner’s plan to help the Republican governor negotiate with a Democrat-controlled legislature.

“He’s got to figure out a way to get them to the table and have discussions about what he wants,” said Jeffrey Junkas, assistant vice president of state government relations at PCI.

“I think (Gov. Rauner) sees that in order to get some decent reform out of underlying business programs, such as unemployment insurance and the workers comp system, that he needs to offer up some support of a scaled-in increase in the state minimum wage,” said Stephen Schneider, Midwest region vice president at the American Insurance Association in Deerfield, Illinois.

Illinois’ consideration of minimum wage increases echoes similar discussions about the issue nationwide.

Fight for \$15 protests have been held recently in cities such as Atlanta, Chicago, New York, Pittsburgh and St. Louis.



AP PHOTO

Demonstrators rallied for better wages outside a McDonald’s restaurant in Chicago. But a higher minimum wage has some concerned that employers’ workers comp-related costs could increase based on higher payrolls.

Steve Easterbrook, president and CEO of Oak Brook, Illinois-based McDonald’s Corp., said in an April 1 statement that the company’s wage increase, along with paid-time off for workers, could benefit more than 90,000 U.S. corporate-owned restaurant employees. The announcement does not affect employees at more than 3,100 franchised U.S. McDonald’s stores.

Sources say a higher minimum wage likely would generate an increase in workers comp-related costs for employers, based on increasing payrolls and higher indemnity benefits that are based on the average weekly wage of injured workers.

“Anytime you increase payroll, there’s a slight uptick or a slight modification in workers compensation, whether it’s benefits or premiums,” the AIA’s Mr. Schneider said.

Willis’ Mr. Picone said it’s likely

that raising the minimum wage also would drive up salaries for hourly workers who now make slightly more than that amount.

He believes workers comp insurers will watch minimum wage discussions closely, since indemnity benefits represent about 40% of workers comp claim costs. Since most states base workers comp benefits on two-thirds of a worker’s average weekly wage, higher minimum wages would likely increase benefits paid by insurers and self-insured employers, Mr. Picone said.

“You’re going to think it’s a 7% to 8% increase in claim costs for them, particularly on guaranteed-cost programs,” Mr. Picone said.

Eric Silverstein, Dallas-based senior vice president and risk management practice leader at Lockton Cos. L.L.C., said minimum wage changes would most likely affect employers with guar-

anteed cost workers comp programs. Insurers would not be affected as much because they would collect additional premiums to cover increased payroll, he said.

While higher workers comp costs could present challenges for employers, Mr. Picone said higher hourly wages could be an incentive for some injured workers to return to their jobs if they’ve been out of work for a long time.

“If you were injured four or five years ago when the minimum wage was \$7, and you can come back today and make \$15, you might decide to come back to work,” Mr. Picone said.

If efforts to increased minimum wage rates are successful, the changes also could prompt some employers to eliminate jobs in order to keep their workers comp and payroll costs down, Mr. Silverstein and Mr. Picone said.

NAIC

Continued from page 3

it makes sense to have regulatory guidance, but the guidance needs to have some flexibility,” said Laura Foggan, a partner at Wiley Rein L.L.P. in Washington. Such guidance also needs to be practical, and there’s “some sense the NAIC recognized that.”

The guidance “says flexibility and scalability are crucial, and I think that’s what the industry needs to hear,” said, Lawrence H. Mirel, a partner in the Washington office of Nelson Brown Hamilton & Krekstein L.L.C., which does business as Nelson Brown & Co.

“You can’t make (small companies) do things that big companies easily can do and that would sink a small company,” said the former District of Columbia insurance commissioner.

“It’s significant that the NAIC has given a lot of attention to cyber security issues,” Ms. Foggan said. “The principles are important and to some extent they appear to have gone beyond principles in the specificity and prescription. There’s kind of a directive tone of some of the principles.”

The document is “tremendously important” because the NAIC represents the primary regulators of the industry, said Tom Glassic, vice president of policy and government relations at the Property Casualty Insurers Association of America in Washington.

He noted that under the Gramm-Leach-Bliley Act, the authority to enforce privacy rules is specifically granted to insurance regulators.

The principles also hold that cyber security risks should be incorporated and addressed as part of underwriters’ or producers’ enterprise risk management process. “Cyber security transcends the information technology department and must include all facets of an organization,” according to the NAIC.

In addition, the principles say regulatory guidance must be risk-based “and must consider the

resources of the insurer or insurance producer.” However, a minimum set of cyber security standards must be in place for “all insurers and insurance producers that are physically connected to the Internet and/or other public data networks,” the NAIC said.

“The NAIC guiding principles help lay a foundation to prevent the disclosure of personally identifiable information and best positions those in the insurance industry should breach occur, if action is taken against them,” said James Woods, co-leader of Mayer Brown’s Global Insurance Industry Group in New York. “The best prepared companies will be able to state that they have used reason-

able efforts to prevent a cyber attack and have taken reasonable efforts to protect personally identifiable information and have evidence to prove that.”

No one expects the guidance to be insurance commissioners’ last word on the subject.

“It’s a road map,” said Ms. Foggan. “We’ve seen a lot of state insurance regulators follow NAIC guidance and model legislation in other contexts. I think this will be a starting place for discussion at the state level.”

“Generally, it’s pretty good,” said Mr. Mirel. “Obviously, it’s a work in progress,” he said, adding the principles “seem to be quite reasonable to me.”

SETTLEMENT

Continued from page 6

Indianapolis, said in commenting on the case.

Observers say the decision is contrary to rulings by most other courts.

Most other courts in the country have held “that the failure of a policyholder to seek consent before settling will only result in no coverage if the insurance company can show that it was prejudiced by the policyholders’ settling without consent,” said K. James Sullivan, a partner and policyholder attorney at Calfee,

Halter & Griswold L.L.P. in Cleveland.

This decision is “something of an outlier,” said policyholder attorney Linda J. Kornfeld, a partner at Kasowitz Benson Torres & Friedman L.L.P. in Los Angeles

However, “the fact that this court ruled so strongly in favor of the insurer should not be ignored. Insurers who don’t participate in a settlement because they argue the policyholder prevented them from doing so will rely on the case, and the theory set forth in this case, to deny coverage, and there’s no guarantee that the insurer won’t prevail,” Ms. Kornfeld said.

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CYBER PRINCIPLES

The National Association of Insurance Commissioners recently released “Principles for Effective Cybersecurity: Insurance Regulatory Guidance.” Major points of the principles include:

- State insurance regulators have a responsibility to ensure that personally identifiable consumer information held by insurers, producers and other regulated entities is protected from cyber security risks.
- Cyber security regulatory guidance for insurers and insurance producers must be flexible, scalable, practical and consistent with nationally recognized efforts such as those embodied in the National Institute of Standards and Technology framework.
- Insurers, insurance producers, other regulated entities and state insurance regulators should take appropriate steps to ensure that third parties and service providers have controls in place to protect personally identifiable information.

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HDHP

Continued from page 1

employees receiving health care from their employers was enrolled in a high-deductible health plan, the vast majority of which are linked to tax-favored health savings accounts regulated by the Internal Revenue Service, according to the Kaiser Family Foundation’s most recent national survey of employee health benefit plans.

Along with lower employer premiums compared with traditional health plans, studies have shown that HDHPs can be effective in reducing overutilization of costly medical services such as emergency room visits.

Additionally, HDHPs would likely allow employers to avoid the scheduled 40% excise tax on high-cost health plans under the health care reform law that’s due to take effect in 2018.

However, industry experts say the savings employers realize by offering HDHPs — particularly HSA-linked plans — could be short-lived without a thoughtful strategy to help employees with chronic diseases effectively manage their own health care.

Studies show that many HDHP plan members with chronic conditions are financially unable or unwilling to meet their plan’s annual deductibles, and instead elect to delay or forgo needed medical services and treatments.

According to a 2012 study in the Journal of General Internal Medicine, 26.6% of adult plan members enrolled in an HDHP delayed or did not get medical care due to the cost, compared with 9.9% of

BEST PRACTICES

To reduce the risk of increasing the prevalence or severity of chronic diseases among employees, experts suggest that employers offering high-deductible health plans:

Ensure access: Provide health care quality comparison and pricing transparency tools, personal health assistants and other resources. Incorporate value-based insurance design elements where possible.

Ease the financial burden: Provide one-time or ongoing contributions to employees’ health savings accounts or health reimbursement arrangements, possibly linked to participation in wellness/health management programs. Additionally, provide employees with tools and guidance to help them budget for current and future health care expenses.

Improve communication: Explain the structure and mechanics of the health plan as clearly and simply as possible. Provide user training for enrollees immediately following the beginning of each plan year.

members enrolled in traditional health plans.

A separate study, published in March by the Kaiser Family Foundation, found that 24% of households enrolled in health plans with annual deductibles of \$1,200 for single coverage and \$2,400 for family coverage do not have the liquid assets available to meet those thresholds.

The average HDHP deductible this year is \$2,200 for individual coverage and nearly \$4,440 for family, according to the Kaiser research.

By forgoing or delaying recommended medical care and prescrip-

tions, employees in HDHPs with chronic conditions — and their employers — risk incurring higher medical costs over the long term as their conditions worsen and more expensive procedures and treatments become necessary.

Experts say the biggest barrier to more effective disease management within an HSA-linked high-deductible plan are the tax rules the IRS applies to HSAs.

Specifically, the regulations broadly prohibit employers from providing first-dollar coverage for “any service or benefit intended to treat an existing illness, injury or condition, including drugs or medications.”

In practice, that means that until employees with chronic conditions reach their annual deductible, the costs associated with the secondary preventive health care services and treatments they rely on to manage their conditions — such as insulin and glucose monitoring supplies for diabetes — are their own responsibility.

“It’s a pretty big hole,” said Bruce Elliott, benefits manager at the Society for Human Resource Management in Alexandria, Virginia.

For now, Mr. Elliott said SHRM makes regular contributions to its 340 employees’ HSAs to reduce the financial burden of the high deductibles, as do approximately one-third of employers, according to SHRM research.

Eventually, though, Mr. Elliott said the contributions to SHRM’s employees’ HSAs likely will begin working against the organization’s long-term interests.

“It puts a bandage on the issue for several years, but at some point the math is going to work against me,” Mr. Elliott said. “If

medical cost inflation and renewals are running at 6% and (overall) inflation is running at 2%, that leaves me with a 4% delta. Eventually, my plan premiums are going to get captured by the excise tax threshold, which means I’m either going to have to raise the deductible in these plans or decrease the employer contribution.”

Still, experts encourage employers that offer HDHP coverage to begin contributing to employees’ HSAs, health reimbursement accounts and/or flexible spending accounts if they have not already done so, in order to move from a traditional health plan to one with a high deductible.

Another critical issue that employers offering any type of HDHP must address, experts say, is their employees’ lack of experience navigating the medical care marketplace and actively managing their own health.

“A lot of our members see HDHPs as part of an overall consumerism strategy,” said Brenna Shebel, director of health care cost and delivery at the National Business Group on Health in Washington. To that end, experts say there are a range of tools and resources available that can improve employees’ access to and understanding of the health care they need to manage chronic conditions.

“One thing we’ve seen a number of employers do is provide personal health assistants for employees,” Ms. Shabel said. “Employees with chronic conditions are going to be the higher health care users within your workforce, so they’re going to need more help deciding where and when to seek care, and

which treatment to choose.”

Another employer strategy is adopting a more focused approach to intervention and disease management, experts say.

“Traditional disease management programs, which we see people moving away from, were basically educational interventions designed to teach patients about their disease and what to do about them,” said Dr. David Kaplan, global clinical leader at Mercer L.L.C. in San Francisco. “In the Mercer Health Advantage program, what we have instead are disease-specific case management interventions, which are different in the sense that it focuses on the actual issues that patients are having and helps them work with a nurse practitioner or their doctor if need be to identify the appropriate action.”

Experts say employers also should take a more active role in communicating with employees about the structure and mechanics of their high-deductible plan, both prior to enrollment and regularly thereafter.

“Not all employers are doing it, but we are starting to see more companies providing some kind of user training for employees after they’ve enrolled in a (consumer-driven health plan),” Ms. Shebel said. “Very early on after the plan year starts, you need to be connecting with the employees in the CDHP and walk them through what their next steps are and what it means to be in the plan. Ideally, employers should try to get to these members before they go to the pharmacy for the first time, because that’s where employees really feel the pinch of the deductible.”

NONCOMPETE

Continued from page 1

The past six weeks has seen three brokers file poaching suits. They include:

Willis Ltd., a unit of Willis Group Holdings P.L.C., which is suing Jardine Lloyd Thompson Group P.L.C. in a London court for luring employees of its fine art, jewelry and specie division as Willis sought to sell the division and other operations to Miller Insurance Services L.L.P.

Last week, Willis won a temporary injunction barring JLT from recruiting any employees of the division worldwide, Willis confirmed in a statement.

Beecher Carlson Holdings Inc., a unit of Brown & Brown Inc., has filed suit in U.S. District Court in Atlanta against former employees Michael Stern and Mark Ouimette for forming a rival broker, Stern Risk Partners L.L.C., and allegedly poaching Beecher employees and clients. Messrs. Stern and Ouimette, who could not be reached, have filed a motion to dismiss the suit.

And Arthur J. Gallagher & Co.

Inc. filed suit in London to halt alleged poaching of employees and clients by David Ross, the former head of its international unit, who left with other Gallagher employees to join Towergate Group P.L.C., according to news reports.

A Gallagher spokeswoman did not respond to requests for comment.

The flurry of litigation really is business as usual, said Tim Cunningham, managing director at Chicago-based investment banking and consulting firm Optis Partners L.L.C. “People are always moving from one broker or insurer to another.”

Such suits often are intended to send a message to employees and competitors. “I can’t remember the last time one went to trial,” Mr. Cunningham said.

While courts have enforced non-compete provisions for companies, not just brokers and insurers, the standards can be tough, lawyers say.

An employer must show it has a legitimate business interest in enforcement, such as protecting trade secrets or client relationships developed at the company’s expense; that the provision is limited in time and geography so it is

not overly burdensome; and that it doesn’t limit competition, Mr. Lauricella said.

U.K. courts have similarly required a showing of legitimate business interest and reasonable duration and geographic scope, according to legal sources.

Restrictive covenants may include separate provisions for confidentiality as well as for non-competition or nonsolicitation of employees and clients. An employer might win a suit for violations of confidentiality or trade secret restrictions even where non-compete provisions can’t be enforced, said Daniel P. Hart, a partner at Seyfarth Shaw L.L.P. in Atlanta.

State laws vary widely.

California, North Dakota and Montana largely prohibit non-compete agreements, for instance, while New York is much friendlier to employers. Massachusetts lawmakers are likely to limit use of non-compete agreements, lawyers predict.

Meanwhile, Georgia has moved in the opposite direction. Voters in 2010 amended the state constitution to allow non-compete provisions; Georgia then enacted a new law affecting contracts dated after May 11, 2011, to make it easier for

employers to enforce restrictive covenants, Mr. Hart said.

Companies operating in multiple states may seek the forum most amenable to restrictive covenants, but even that may not work.

For example, Ascension Insurance Holdings L.L.C., a brokerage based in Walnut Creek, California, but incorporated in Delaware, sued a former employee in Delaware Chancery Court to enforce a non-compete agreement that included a Delaware choice-of-law and venue provision. However, the court ruled in January that California law, which voids noncompetes, should apply because the parties were located in California, and the contract was signed there.

A non-compete may also be ruled unenforceable if an employee isn’t adequately compensated for agreeing to it, said Terrence P. Canade, a partner at Locke Lord L.L.P. in Chicago. A court, for instance, may question whether an employee has been with a firm long enough — and therefore received adequate compensation from employment — to justify a one- or two-year non-compete provision, he said.

While defecting workers once

may have photocopied company records before leaving, thumb drives and smartphones have made it easier to take large volumes of data. Beecher’s lawsuit, for instance, alleges that Messrs. Stern and Ouimette used multiple thumb drives to download confidential Beecher data before quitting.

Employers more often are alleging violations of the U.S. Computer Fraud and Abuse Act, Mr. Canade said, one of the counts in Beecher’s suit. Some courts have ruled that the law, aimed largely at hacking and terrorism, isn’t applicable where data has been copied but computers have not been damaged, he said.

While states have to weigh employer protections against potential restraints of trade in allowing restrictive covenants, companies likewise have to weigh the benefits of litigation over lost clients, experts say.

“Ultimately, the customer is going to go where the customer goes,” Mr. Lauricella said. “You wonder sometimes if the employer really is going to keep that relationship if the customer wasn’t satisfied enough to stay there in the first place.”

GREENBERG

Continued from page 1

of the bailout could hamper future government bailouts if he is successful.

The case, in which closing arguments were held last week in the U.S. Court of Federal Claims in Washington, involves only the particular stockholders. But it also is the first case asking whether the government acted “abusively,” as alleged by the plaintiffs, during the financial crisis when it demanded a nearly 80% stake in AIG in return for bailout funds.

For the shareholders, the answer is clear: The plaintiffs in *Starr International Co. et al. v. United States et al.* allege the government’s actions cost them billions of dollars in lost equity, and they want to be repaid. The government overreached its authority and diluted the value of shareholders’ stock in the process, they argue.

In closing arguments before Judge Thomas Wheeler last week, attorney David Boies said the section of the Federal Reserve Act under which AIG received the first \$85 billion of what ultimately amounted to more than \$180 billion in federal assistance — all of which has been repaid — never in its 75 years required equity as compensation in return for financial guarantees, except for AIG.

Mr. Boies, who is chairman of law firm Boies, Schiller & Flexner L.L.P. in Armonk, New York, said the government made a “political decision” to single out AIG as a “scapegoat” in the financial crisis.

The government countered that the plaintiffs suffered no harm. When AIG directors agreed to accept the \$85 million loan in return for allowing the government to take a 79.9% stake in the AIG, all involved agreed the loan was preferable to bankruptcy, Justice Department attorney Kenneth Dintzer argued. If the Federal Reserve “had wanted to harm AIG in some way, all it had to do was nothing,” he said.

Mr. Dintzer said that without the loan, the value of AIG stock was “zero.” He added that “there never was an entitlement to a loan.”

“No money moved from Starr’s pockets to the government,” he also said.

Mr. Dintzer held that the AIG board voluntarily agreed to the terms of the assistance, which Mr.

Boies argued was agreed to under duress.

Judge Wheeler expressed some skepticism about some of the government’s argument.

“There’s no question in anybody’s mind” that there was a change in ownership of AIG when the government assumed control of nearly 80% of the company stock, he said.

At the conclusion of the closing remarks, Judge Wheeler said, “Not surprisingly, just about everything in this case is still in dispute.”

The ultimate effect of the case also is in dispute.

“Obviously, there is a lot at stake in this case, as much reputationally as financially,” said Donald Langevoort, a professor at the Georgetown Law Center in Washington.

“The question of what, if any, damages occurred is extraordinarily complex. With all the lingering doubts about whether the government acted abusively during the financial crisis, we’ve never had a court answer that question. ... I think this will be very memorable no matter how it comes out.”

However, Wake Forest University School of Law Professor Ralph Peeples said it is hard for him to see the significance of whatever decision is made because the facts are “unique.”

“First, you have the bailout and crash. Then you have to rescue a company that writes a lot of insurance and also has a dicey offshore operation,” he said, referring to AIG Financial Products, the London unit that incurred big losses in 2008 from credit default swaps trades that almost brought AIG down.

“If there’s ever a question again on overreaching by the government, then it might have some relevance, but it’s really hard to see how the case by itself has a lot of precedential value,” he said.

Mr. Peeples said even if the plaintiffs win, “the next phase is, ‘OK, then what are the damages?’ If AIG did better after the bailout, then it’s a little bit hard to see where the damages are.”

“A critical component of Starr’s argument is the takeover was not an authorized act by the Fed,” said Lawrence Hamermesh, professor at Widener University Law School in Wilmington, Delaware. “If that’s the basis on which Starr would win, obviously it’s not going to have a lot of resounding implications for corporate life generally.”

“Given the alternative between wiping out equity entirely and doing what was done, it’s sort of hard to find extortion or harm in that situation,” he said.

CAPTIVES

Continued from page 4

Thrasher L.L.P. in Atlanta.

In Tennessee, which revamped its captive law in 2011 and saw its captives more than double to 72 last year, Gov. Bill Haslam recently signed a law making it easier for captives to cover workers compensation risks and provide more flexibility in meeting capitalization and surplus requirements.

“This legislation gives us the tools we need to make workers compensation captives a viable option for local employers,” Michael Corbett, Tennessee’s director of captive insurance in the state’s Department of Insurance and Commerce in Nashville, said in a statement last week.

In Montana, the changes to the state’s captive law, which include allowing Montana public entities to set up captives and clarifying that captives can be established as limited liability companies, are “meaningful improvements” to the state’s law, Montana Captive Insurance Association President John Jones said in a statement.

In Oklahoma, in what state regulators call “cleanup” legislation, lawmakers are considering a measure that would make clear that captives can write primary workers compensation coverage, not just excess coverage.

In Texas, which enacted captive legislation in 2013 and had 12 captives at the end of last year, lawmakers are expected to pass legislation this session that would allow captives to accept and cede risks to captive reinsurance pools or to an affiliated captive.

In addition, the legislation would allow the captive to pay, with regulatory approval, dividends to those holding an equity interest in the company-owned insurer.

“These are good and important things,” said Josh Magden, president of the Texas Captive Insurance Association in Austin and vice president of consultant relations at Sage Advisory Services Ltd. Co. in Austin.

In the relatively new domicile of North Carolina, lawmakers are considering a bill that would allow the state insurance commissioner to determine the amount of capital and surplus needed for special-purpose captives and the authority to exempt a captive from filing its annual report.

“A considerable amount of work would be saved,” said Martin Eveleigh, chairman of the North Carolina Captive Insurance Association and chairman of Atlas Insurance Management in Charlotte, North Carolina.

In Vermont, a recent law reduces the number of individuals required to sign a captive’s incorporation papers from three to one.

“It is not a major thing, but it does make the incorporation process that much less burdensome,” said David Provost, deputy commissioner in the Captive Insurance Division of the Vermont Department of Financial Regulation in Montpelier.

Just having an attractive captive law isn’t enough to win new captives. A state’s regulatory climate is important, experts say.

“There has to be a commitment by the state and to have experienced regulators who know what they are doing,” said Strategic Risk Solutions’ Mr. Young.

WELLNESS

Continued from page 4

major concern, but we still have some concerns about the details and will be addressing them when we submit our comments,” Steve Wojcik, vice president of public policy at the National Business Group on Health in Washington, said in an email. “We hope that the effect of the rules will be to promote employer-sponsored wellness initiatives and not stifle them.”

Annette Guarisco Fildes, president and CEO of the Washington-based ERISA Industry Committee, said the EEOC plan is “a step in the right direction” and that the employer benefits lobbying organization plans to work with the agency “to further refine these rules to enable employers to aggressively seek to improve the well-being of employees and their families while also protecting the rights of all individuals.”

The EEOC’s proposal would revise existing rules under Title I of the ADA to more closely align them with provisions of the Patient Protection and Affordable Care Act and the Health Information Portability and Accountability Act that raised limits on the dollar value of incentives tied to certain types of wellness and health management programs.

Last year, EEOC sued Honeywell for discrimination after the company said it would

impose a \$500 annual surcharge on employees’ health premiums for those that did not participate in the company’s wellness program. Similar federal lawsuits were recently filed against a pair of Wisconsin-based employers, Orion Energy Systems Inc. and Flambeau Inc.

Under the EEOC’s plan, the value of financial rewards and penalties tied to participatory and health-contingent wellness programs — including but not limited to health insurance premium discounts and surcharges, cash gifts and employer contributions to health savings accounts, health reimbursement arrangements and flexible savings accounts — would be capped at 30% of the total annual cost of self-only coverage under the employer’s group health plan.

Incentives tied to smoking-cessation programs would remain limited to 50% of the annual cost of self-only coverage, provided they do not seek employees’ medical information.

Health benefits experts said capping incentives for participation-based wellness programs at 30% would significantly expand current restrictions under the ACA and HIPAA, which now apply only to rewards or penalties based on an employee’s completion of a wellness activity or achievement of a specific health outcome.

“Applying the 30% limit to participation-based programs does take away some the flexibility employers currently have. But on the other hand, it does protect employees

from some of the more draconian program designs out there,” said Derek Newell, the Palo Alto, California-based CEO of health benefits technology provider Jiff Inc. “I would guess that employers probably will want more flexibility, and I expect that a fairly substantial number of our clients will be taking advantage of the public comment period to ask for it.”

Another key difference between existing rules and those proposed by the EEOC is a provision that would bar employers from using “gated health plans” to drive wellness program participation.

Under the EEOC’s proposal, employers would not be allowed to limit employee access to a particular group health plan or coverage packages within a group health plan for not participating in a wellness program.

They could, however, impose higher deductibles or other financial penalties.

The EEOC proposal also would require employers whose wellness programs collect employee medical information, including health risk assessments and biometric screenings, to provide participants with a written notice of what information will be collected, how it will be used, who can access it and in what form, and steps they will take to prevent improper disclosure of the information.

However, experts said it’s unclear when participants would have to be notified, and to what extent employers would need to

report delivery of the notices to the EEOC.

An important question left unanswered, experts said, is whether the final rules would be enacted prospectively or retrospectively, and how long employers would have to adjust their wellness programs.

“The amount of lead time that employers need to properly design a wellness program is a big undertaking, especially when there’s a new notification or reporting requirement involved,” said Tami Simon, a managing director at Buck Consultants at Xerox in Washington.

The current deadline for comments on the EEOC’s plan is June 19.

“I’ve rarely ever seen a situation where proposed rules are enacted as written,” said J.D. Piro, a Norwalk, Connecticut-based senior vice president at Aon Hewitt. “I think all of these issues will probably be addressed in the public comment period.”

Until then, experts suggest employers begin reviewing their wellness programs for potentially noncompliant elements.

“Something comprehensive will come out of all this, but I think we’re still a ways away from seeing something final,” said Philip Voluck, a managing partner at law firm Kauffman, Dolowich & Voluck L.L.P. in New York.

“My advice would be to get out in front of this now,” he said. “To the extent that you can mold your program so that it complies with these — albeit proposed — rules, there’s no downside.”



Boss made minion watch 'chick flicks'

A former Bates College employee has filed a discrimination lawsuit against the Lewiston, Maine-based institution, saying she — unlike her male coworkers — was expected to jog, take tennis lessons and watch “chick flicks” with her boss.

Sarah Hulbert, 59, who worked for Bates President A. Clayton Spencer as an executive assistant during summer 2012, wrote in her complaint that she was treated differently by Ms. Spencer than her male co-workers were, according to media reports.

The lawsuit Ms. Hulbert filed with the Androscoggin County Superior Court on March 6, states that “the president of Bates College expected plaintiff, as a condition of her employment, to engage in activities with the president, such as running, tennis lessons and watching ‘chick flicks,’ which the president did not require of similarly situated male employees,” according to reports.

A Bates spokesman told the Lewiston-Auburn Sun Journal that the college denies Ms. Hulbert’s claims and expects to fight them.

CYBER EXPERT’S AIRPLANE JOKE DOESN’T FLY



Cyber security experts are in demand right now as all industries grapple with the evolving risk. But one expert found himself hoist by his own petard recently when an airline refused to let him board after he had posted on social media that he believed the airline’s onboard systems could be hacked.

Chris Roberts, who founded One World Labs Inc., a company that tries to discover security risks before they are breached, was stopped by United Airlines Inc. corporate security as he tried to board a flight from Colorado to San Francisco to — natch — speak at a major security conference.

The previous week, Mr. Roberts had been removed from a United flight after landing in Syracuse, New York, after tweeting — jokingly, he says — that he could make the oxygen masks on the plane deploy, SFGate.com reports.

He was, the website reports, questioned by the FBI for four hours.

A spokesman for United said that while the airline was confident its flight control systems could not be accessed through the techniques Mr. Roberts had described, it had “decided it’s in the best interests of our customers and crew members that he not be allowed to fly United.”

An attorney at the San Francisco Electronic Frontier Foundation, which represents Mr. Roberts, said he hoped that United would learn that computer security researchers are “a vital ally, not a threat.”

Mr. Roberts was able to take a flight on a different airline to San Francisco.

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New Orleans trinkets again can roam free

Visitors to New Orleans can breathe a sigh of relief now that a legal dispute has been settled over depictions of Mardi Gras bead dog trinkets.

The popular novelty has a long history as an easy craft project for repurposing the ubiquitous strands of beads tossed to onlookers during the city’s world famous Mardi Gras parades, and numerous websites and online videos illustrate how to twist up the little beaded pooches once the party’s over.



The trouble started when two competing businesses started to cash in on their own bead dog versions and ended up in the 5th U.S. Circuit Court of Appeals in New Orleans in Nola Spice Designs L.L.C. vs. Haydel Enterprises Inc., doing business as Haydel’s Bakery.

Haydel’s started the dispute with a threatening August 2012 letter demanding Nola Spice stop sales and marketing of its bead dogs.

The letter lead to a flurry of suits and countersuits initiated by Nola Spice alleging trademark and copyright infringement filed in various courts since October 2012.

The appeals court confirmed Nola Spice’s non-infringement of Haydel’s trademarks and the dissolution of Haydel’s trademarks, thus allowing Mardis Gras bead dogs again to roam free in the marketplace.



Oxford dips toe into cyber security

An old school is determined to teach business executives some new tricks to defend their companies from cyber attacks.

Saïd Business School at Britain’s University of Oxford, said it has designed a program intended to arm senior executives with the knowledge and strategies necessary to deal with cyber threats.

“Cyber security is no longer the preserve of the IT manager,” David Upton, professor of operations management at Saïd Business School, said in a statement. “The problem is that many executives feel unprepared to contribute to the debate and are concerned that they don’t know what questions to ask or how to process the advice they are given to lead their organizations’ response.”

It looks like the “teaching-clueless-CEOs-about-cyber” ball is in your court, Cambridge.

Lottery worker tried to jack the jackpot

An Iowa lottery worker is set to stand trial this summer for allegedly gaming the state’s Hot Lotto game in an attempt to fraudulently collect a \$14.3 million jackpot.

Eddie Raymond Tipton of Norwalk, Iowa, was arrested in January and was charged with two counts of fraud, according to a statement from the Iowa Department of Public Safety’s Division of Criminal Investigation. He is scheduled to stand trial for the charges in July, according to media reports.

Mr. Tipton was security director for the Urbandale, Iowa-based Multi-State Lottery Association, and was not allowed to play the lottery as an association employee, according to an affidavit posted online by the Iowa public safety department. Surveillance camera footage showed him purchasing a winning Hot Lotto ticket at a Des Moines, Iowa, store in December 2010.

Mr. Tipton allegedly created a computer program that controlled the winning number selected in Hot Lotto’s drawing, according to reports. He was identified by a lottery association employee after the Iowa Lottery released the surveillance footage.



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SHOW DAILY

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RIMS community service volunteers put 'new' into New Orleans

BY SARAH VEYSEY

More than 100 attendees of this year's Risk & Insurance Management Society Inc.'s conference in New Orleans took part in the society's Community Service Day on Sunday, helping to rebuild and paint five homes destroyed by Hurricane Katrina almost 10 years ago.

The risk professionals teamed up with the St. Bernard Project, a Chalmette, Louisiana-based nonprofit that provides resources and help to communities affected by natural disasters that was started by lawyer Zack Rosenburg and teacher Liz McCartney, who moved back to Louisiana from Washington after they saw the devastation



Tricia Baxter, meetings and events manager, RIMS, left, and Tom O'Hara, vice president, Gen Re, help man the power tools at the RIMS Community Service Day.

caused by the hurricane. Since its founding in 2006, the St. Bernard Project has built more than 900 houses and bene-

See **SERVICE** page 22

Innovation, global reach part of RIMS 2015

BY MARK A. HOFMANN

The Risk & Insurance Management Society Inc. is ready to showcase what's new in New Orleans during its annual conference this week.

In fact, this year's theme, "New Innovations, New Encounters, New Knowledge, New Orleans," serves to both generate interest in the event and "to show that we're looking to the future,"



CHUCK WAGNER/SHUTTERSTOCK

RIMS 2015 President Richard Roberts said.

Part of the professional risk

management society's work this year is "to make RIMS more nimble and to move into new areas," Mr. Roberts said. In addition, RIMS is focusing on "making sure we have good content for people new to the industry," he said.

Each component of this year's conference fits into that theme, Mr. Roberts said.

See **RIMS** page 22

Cyber risk moves into top 10 in Aon survey

BY MATTHEW LERNER

The Aon 2015 Global Risk Management Survey saw cyber risks break into the top 10 for the first time, while reputational and brand risk rose to the top position after coming in fourth in the last survey.

At No. 9, cyber risk "is on the top 10 list for the first time ever," said Theresa Bourdon, group managing director for U.S. risk consulting and global practice leader for the actuarial and analytics practice of Aon Global Risk Consulting.

"It made the top 10 list despite the fact that organizations say they're ready for it," she said, adding that 82% report readiness and only 8% of respondents said they had incurred a loss to income as a result of cyber risk.

Ms. Bourdon emphasized how risks bear upon one another.

"There's a lot of interconnectiv-

See **GLOBAL** page 22

Q&A



Richard Roberts, the 2015 president of RIMS and director of risk management and employee benefits at Ensign-Bickford Industries Inc. in

Simsbury, Connecticut, speaks about the challenges facing risk managers and his hopes for the RIMS conference.

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NEXT GENERATION

RIMS scholars tour the Superdome

PAGE 3

TOP RISK MANAGER

Kathleen M. Ireland of IBM

PAGE 4

THE SIGHTS

City Park, Botanical Garden, and more

PAGE 12

**She meets challenges
head on.**

**You meet challenges
with a head start.**



PROUD PARTNER

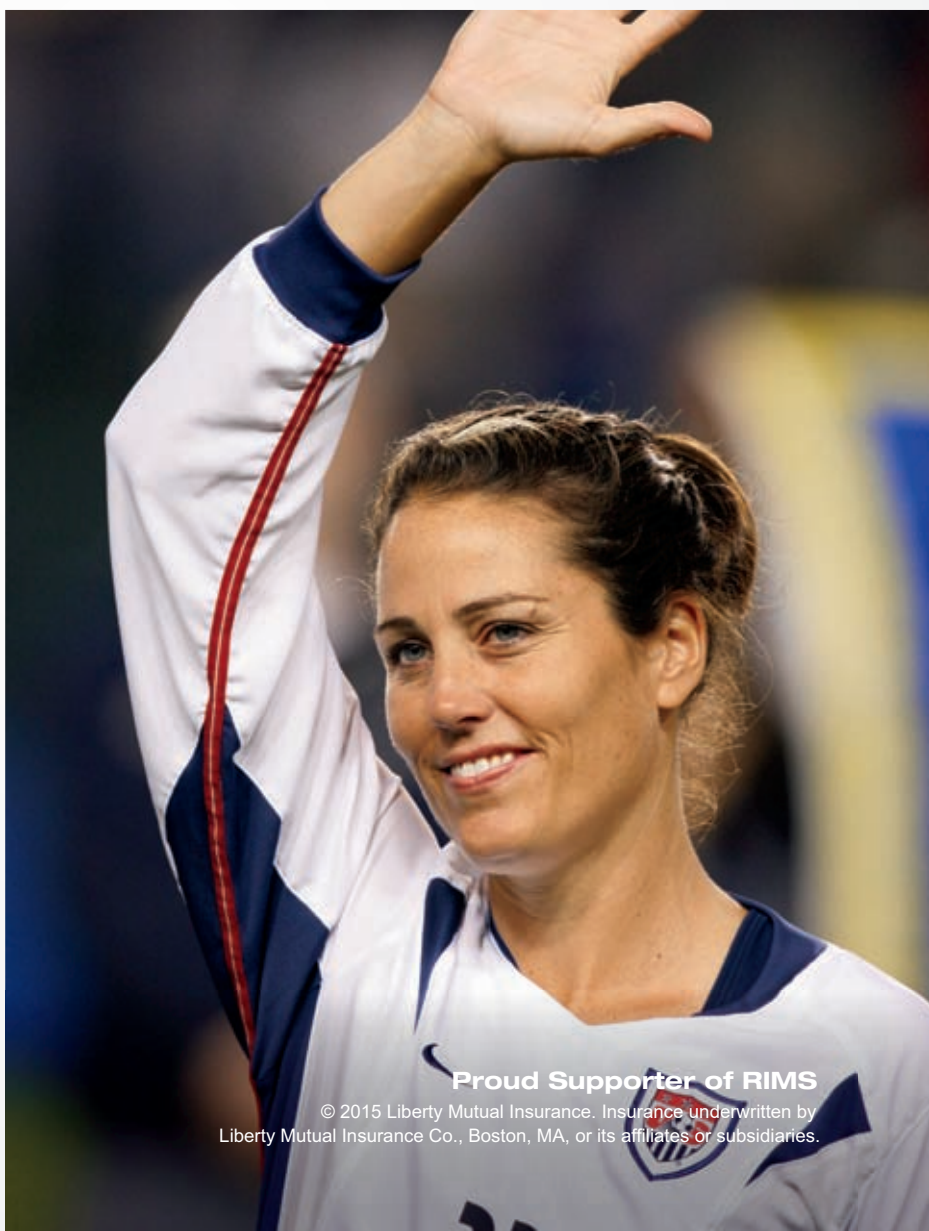
As a former captain of the U.S. Women's National Soccer Team, Julie Foudy led her team past adversaries to achieve greatness. In the same way Julie took charge on the field, you have a passion for protecting your business from risk. Liberty Mutual Insurance shares your passion. **Visit booth #821** today to take a photo with Julie Foudy and to learn how we help you meet the challenges ahead.

TODAY: Julie Foudy, former member of the U.S. Women's National Team and Olympic gold medalist — Monday 4/27, 10am–12pm and 2pm–4pm

TOMORROW: Brandi Chastain, former member of the U.S. Women's National Team and Olympic gold medalist — Tuesday 4/28, 10am–12pm and 2pm–4pm



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Tournament a mix of golf, food to benefit Spencer Foundation

BY MATTHEW LERNER

From the fleur de lis bunker on hole 1 to the hamburger, shrimp po'boy and Bloody Mary station at the 12th hole, golfers at Sunday's Spencer/Gallagher Golf Tournament at the Lakewood Golf Club to benefit the Spencer Educational Foundation Inc. had plenty to smile about.

"Eat, drink and play golf," was the dictum of the day from officials at Lakewood, where the course record for a U.S. Open qualifier is a 63.

Another reason to smile: Sunday's tournament raised \$40,000 for the foundation.

Sponsored by Arthur J. Gallagher & Co., the tournament's turnout was good and the weather was beautiful. "We had rain all week and rain coming tomorrow, so we got the right day in

between," said Timothy Boston, marketing director for the Gallagher Louisiana unit of Arthur J. Gallagher in Baton Rouge.

Rather than have a breakfast prior to teeing off as in past years, Sunday's outing featured food stops along the course including grits, bread pudding and other New Orleans favorites.

"Because this is our home course, we're hosting it, so we felt like we needed to do something different," Mr. Boston said. "We've got eight or nine food opportunities out here for everybody ... If you leave hungry, it's your own fault."

Ninety-two players hit the links. Taking first place was the team of Craig Van der Voort of Arthur J. Gallagher, Greg Boots of Bank Direct Capital Finance, and Theana Iordanou of Allied World Assurance Co.



Golfers confer on a shot at the Spencer/Gallagher Golf Tournament. Proceeds benefit the Spencer Educational Foundation Inc.

In second place was the foursome of Spencer Moysey and Mark Krawiec, both of *Business Insurance*, Phil Norton of Arthur J. Gallagher, and Chip Bifano of Paul Davis National. In third place were Peter Hohman and Honora Hohman, both from the Insurance Institute of Canada, Matt Rosenberg of Rosenberg & Parker Inc., and Drew Boston, son of Timothy Boston, who also won the men's longest drive.

The longest women's drive was made by Elaine Ziemba from The Risk Authority. The most accurate drive was by Eric Lembcke of Max Corredores de Seguros.

Four players shared closest-to-

the-pin honors: Steve Jones from CNA Financial Corp., David Ingram of Level 3 Communications, Doug Thomson of Willis Group Holdings P.L.C., and Chris Hess with RWH Myers & Co.

"Food and Louisiana is a good combination," said Mark L. Hubbard, vice president of risk management, Loma Linda University Medical Center, Loma Linda, California.

"This is a great event. I've done it for a couple of years," said Dan Kugler, director of the Center for Risk Management and Insurance at the University of Wisconsin-Oshkosh College of Business, who also sits on the Spencer board.

Students get inside look at managing risks at the Superdome

STEPHANIE GOLDBERG

College students learned about the risk management process for the Mercedes-Benz Superdome in New Orleans during a tour of the facility Saturday.

About 20 students were invited by the Risk & Insurance Management Society Inc. Student Advisory Council to participate in the tour, led by Ross J. Bourgeois, assistant chief of the public safety department for SMG, the company that manages the Superdome and more than 230 other facilities worldwide.



The Mercedes-Benz Superdome's biggest number of claims are from slips, trips and falls.

Mr. Bourgeois spoke about managing and mitigating risks at the home of the National Football

League's New Orleans Saints, the Allstate Sugar Bowl, concerts and other events.

Slips, trips and falls make up the majority of claims, so when Superdome staff members "see trip hazards, spill hazards or anything slippery on the floor, our employees call it in and wait there at that spill until housekeeping gets there to clean it up," Mr. Bourgeois said.

It makes sense that a large facility would have so many slip, trip and fall claims because "those are pretty common risks," said Lauren Evans, finance and risk man-

agement and insurance student at Florida State University in Tallahassee. Ms. Evans said she was interested to learn that, as a result, Superdome ramps were coated with a special paint that contains sand to create a slip-resistant surface.

But for the Superdome, which has hosted seven Super Bowls, most recently in 2013, the "greatest exposure would be an act of terrorism," Mr. Bourgeois said.

Referencing the power outage that took place during Super

See **SUPERDOME** page 25



RISK MANAGEMENT HONOR ROLL®

Read full profiles in the April 27 issue of *Business Insurance*



Laurent Barbagli
Group risk and insurance manager,
Lafarge S.A.



David G. Cammarata
Assistant treasurer of risk
management and insurance,
Verizon Communications Inc.



Brian W. Merkley
Global director of corporate
risk management
Huntsman Corp.

Transforming risk management at IBM

BY MARK A. HOFMANN

IBM's approach to insurance is straightforward: Insurance is the last resort, said Kathleen M. Ireland, the Armonk, New York-based company's vice president of global risk and insurance.

That philosophy translates into a companywide emphasis on loss control, which helped gain Ms. Ireland recognition as the 2015 *Business Insurance* Risk Manager of the Year®.

"We spend the time to prevent a loss from occurring in the first place, and then that allows us never to have a loss of life, no loss of our physical assets, no interruption to our income and no market share loss and — most important — never disappoint one of our customers," Ms. Ireland said.

IBM's reputation, she said, is "not insurable."

Yet when Ms. Ireland joined IBM in 2005, the company outsourced most of its risk management responsibilities to its brokers. Ms. Ireland, previously a senior vice president at Marsh USA Inc. who had served as outsourcing international casualty risk manager for the IBM account, was brought in-house to create an internal risk management department for one of the world's best-known technology companies.

"Kathleen brings a wealth of specialized knowledge that ensures IBM has a portfolio of insurance coverage tailored to our ever-changing global needs," said Simon Beaumont, IBM's vice president and treasurer and Ms. Ireland's boss. "She and her team proactively manage this portfolio to ensure we have the required coverage on a cost-optimized basis, combined with a robust loss prevention and claims culture and process."

Janine M. Smith, managing director of strategic account man-



ARNOLD ADLER

Kathleen M. Ireland, *Business Insurance*'s 2015 Risk Manager of the Year®.

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MANAGER
OF THE YEAR 2015

agement at Aon Risk Solutions in New York, has worked with Ms. Ireland since she joined IBM.

"I have really watched her transform the risk organization at IBM in her tenure," Ms. Smith said. "That transformation has been amazing, and I learn something from her every day. She changed how the risk management group was organized with-

in IBM. Kathleen really centralized the team. She has the power because she has the blessing of senior management that no property/casualty insurance is placed without her blessing."

IBM's insurance program is designed globally.

"We take an overall consolidation of the exposures, do the risk evaluation at our corporate headquarters, review the terms and conditions and work with our brokers to design what the coverages will entail," Ms. Ireland said. She is responsible for the direct management and oversight of an

See **IRELAND** page 6

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IRELAND

Continued from page 4

annual risk management budget totaling more than \$80 million of risk-transfer costs, excluding retained loss and operating expense.

The insurance program, which includes the use of a Bermuda-based captive insurer, is run with a centralized philosophy. The risk management department has been designated a “center of excellence” within IBM.

It’s perhaps only fitting that a risk manager involved with a company whose name is synonymous with technology carries out her job in part by relying on an arsenal of technology-focused tools to protect IBM’s assets. One is an online risk management

guide, while another is a repository of online insurance documents going back a decade.

In fact, through the use of technology, IBM was able to weather Superstorm Sandy in 2012 without losing electricity at any of the company’s nine locations in the storm’s path, including company headquarters in Armonk, New York.

The company used a tool called

Deep Thunder, which allows IBM to take information that’s already available on the Web, such as different weather feeds

and maps, and put that information with approaching storms to pinpoint where flooding could occur.

The challenge that Ms. Ireland accepted 10 years ago continues to engage her.

“I would say each day brings new challenges, and some are



ARNOLD ADLER

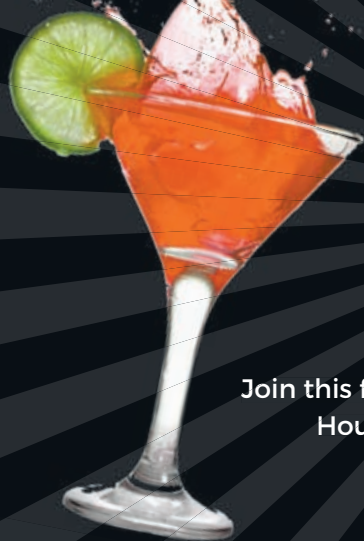
Kathleen Ireland with Simon Beaumont, IBM’s vice president and treasurer, to whom she reports.

large and some are small, because IBM is a global company with operations in 170 countries,”

she said. “So we always find there is something new that we are undertaking.”



HAPPY HOUR



BOOTH #443

Tuesday, April 28
5:02 - 7:00 pm at Ma Maison

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Join this favorite RIMS tradition. You’re invited to Riskconnect’s VIP Happy Hour Event. We will be at Ma Maison located outside Exhibit Hall C.

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HEARD ON THE STREET

What do you
hope to learn at this
year's conference?



JEAN KADMON

Risk manager
The Washington Post
Washington

"This year, I'm hoping to learn more about cybersecurity, because it's getting more press, and any new risk management techniques we can leverage."



MARTI DICKMAN

Vice president of risk management
Advanced Disposal
Ponte Vedra Beach, Florida

"Any of the new changes and developments in the industry. It's really hard to keep on top of things, and the conference is a great place to get the latest information about new products and gather that kind of information."



NORMAN B. SNARR

Senior risk manager
Evonik Industries A.G.
Parsippany, New Jersey

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ABOUT TERRANCE OSBORNE

Voted #1 New Orleans' Best Artist in 2014 by *Gambit Weekly* (bestofneworleans.com). Recently, Osborne's New Orleans-inspired work has become internationally recognized. His official Jazz & Heritage Festival best-selling posters, specifically the 2012 Trombone Shorty's "Porch Song," earned him the National Golden Image Award of 2014. Osborne also created festival posters for 2007 and 2010 and has continued to create the official Zulu Posters for the Jazz festival each year since 2012. Even note-worthy clients like Nike, Heineken, Coca-Cola, Hilton and the NBA have all worked with Osborne, obviously recognizing that he, and his work, truly emanate all of what the "Big Easy" has to offer.



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Richard Roberts

Richard Roberts is the 2015 president of the Risk & Insurance Management Society Inc. Also, he's the director of risk management and employee benefits at Ensign-Bickford Industries Inc. in Simsbury, Connecticut. He recently spoke with *Business Insurance* Associate Editor Bill Kenealy about the evolving challenges facing risk managers and what he's looking forward to as the RIMS conference kicks off in New Orleans. Edited excerpts follow.

As president, I'll be seeing the show from a different perspective. It's been fun to see the type of effort required behind the scenes to put on a conference of this magnitude.

Q What stands out to you this year in risk management?

A One thing we see is that we have a lot of new people coming into the field. That's a good sign. There are quite a few universities with good risk management programs that are really preparing the kids well for the profession. We have over 100 students, as well as a couple of hundred of rising risk professionals coming to the conference this year. That's something we are very happy about.

Another trend we are seeing is that our members are really being heard by the leaders of their respective companies. We have to make sure that we are communicating well and demonstrating the value of risk management.

A third thing we are seeing is risk managers flipping risk management from just looking at the downside of risk, to using strategic risk management and enterprise risk management, to helping companies look for ways to capitalize on opportunities.

Lastly, RIMS is looking at ways to upgrade our educational and networking capabilities in order to help our members accept larger responsibilities within their companies.

Q What can risk managers do to help their organizations defend against a cyber attack?

A It's in the news every day, so it's really top of mind for risk managers. There's a lot to learn about what we can do to prevent cyber attacks.

We are trying to get our members to work with their information technology people to look at what information we do have in our companies. The question is what are the most critical types of information that we have and what damage

want to educate our members to be better prepared as their companies enter new markets. The laws and regulations are very different from country to country.

So one of our pushes this year is getting our international members more engaged and learning more about what they do.

Also, supply chain risk remains a big issue. It's still on people's front burner.

Q What regulatory issues are you keeping an eye on?

A We are also watching the proposed reinsurance tax. If it passed, it could reduce capacity and cause higher prices for our members.

Lastly, we are supporting the Captive Insurance Act, because it clarifies a lot of the confusion of how our members use captives.

Q What are you looking forward to in New Orleans at the conference?

A As president, I'll be seeing the show from a different perspective. It's been fun to see the type of effort required behind the scenes to put on a conference of this magnitude.

Watching the excitement of the staff and members, I feel this conference is going to be one of the best that RIMS has put on.



would it cause if it was stolen? A lot of people tend to hold on to data much longer than they need to, so risk managers need to make sure their company has a data destruction program and that they adhere to it.

Q In addition to cyber, what other emerging risks are you looking to help risk managers with this year?

A Since geopolitical risks have really come to the forefront, we



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THE SIGHTS

New Orleans City Park

1 Palm Drive
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With its canopy of ancient live oak trees draped in Spanish moss, New Orleans City Park is a gorgeous escape from urban life. The park, established in 1854 and home to the oldest grove of live oaks in the world, spans 1,300 acres and boasts an art museum, an open-air sculpture garden, an

amusement park and the Botanical Garden.

The New Orleans Museum of Art, located within City Park grounds, hosts a collection of nearly 40,000 objects, including French, American, African and Japanese works, and notable glass and photography collections. Adjacent to the

museum is the Sydney and Walda Besthoff Sculpture Garden, a five-acre display of more than 60 sculptures from renowned international artists.

The Carousel Gardens Amusement Park houses an antique wooden carousel, one of 100 of its kind in the country. Handcrafted by famous carvers Charles Looft and Charles Carmel, the carousel is listed in the National Register of Historic Places. The amusement park also features 16 rides.

Ideal for outdoor activities, City Park is also home to bike paths, jogging and walking paths. Bike from Bayou St. John to Lake Pontchartrain, or rent a boat at Big Lake. Take a jog at City Park Track, a 400-meter track built for the 1992 Olympic trials, or enjoy a game of tennis on one of the 26 courts. Finally, hike through the Couturie Forest, a 60-acre expanse of nature and wildlife with countless varieties of birds, fish and trees.

BOTANICAL GARDEN

1 Palm Drive
New Orleans, LA 70124
504-482-4888

Inside New Orleans City Park, the Botanical Garden is home to 2,000 varieties of native and exotic plants. Stroll through the cultivated gardens of roses, azaleas and herbs, and check out the Butterfly Walk, which is surrounded by nectar-filled plants that attract monarchs and moths alike. The Botanical Garden's Conservatory of the Two Sisters, built in the 1930s, houses a living fossil exhibit showcasing prehistoric plant life from around the world, as well as a simulated tropical rainforest with tree roots, waterfalls and a cave with native animals. It's open 10 a.m.-4:30 p.m. Tuesday through Sunday.



LOCAL FLAVOR



WILLIE MAE'S SCOTCH HOUSE

2401 St. Ann St.
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504-822-9503

Fried chicken devotees, rejoice! Willie Mae's Scotch House is widely lauded for serving some of the best in the nation. Run by Kerry Seaton, the great-granddaughter of founder and namesake Willie Mae Seaton, this soul food institution shut down in 2005 after being destroyed by Hurricane Katrina just months after winning a coveted James Beard Award. It managed to rebuild within two years and has since expanded to a second location. In addition to the crispy chicken, this tiny lunch spot's menu includes pork chops, fried catfish and bread pudding.



COCHON

930 Tchoupitoulas St.
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www.cochonrestaurant.com

Inside a renovated New Orleans warehouse, Cochon executive chef Donald Link pays homage to his Southern roots with fresh takes on classic Cajun dishes. As its name suggests, Cochon focuses on all things pork — think pork ribs, cheeks and sausages — and it's all locally sourced. Also on the menu are oven-roasted Gulf fish and rabbit and dumplings. Reservations are a must. For a quick fix, venture next door to Cochon Butcher, a butcher shop, sandwich counter and wine bar inspired by Old World meat markets.

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It wasn't until one of the folks here from the insurance department actually reached out to me with information about the program, as well as with a scholarship opportunity ... After I got to learn a little bit more about it I started to see — at least from what it seemed like — how good a fit it would be for me.

COLLEGE STUDENT SNAPSHOT

Boris Salvador Maldonado, a junior at Boone, North Carolina-based Appalachian State University, is a double major in finance and banking, and risk management and insurance. Originally from Ecuador, Mr. Maldonado serves as a resident assistant on campus and a student ambassador, and has served as a student orientation undergraduate leader.

What are your post-college career plans?

I always try to keep continuing education as an opportunity or a door open. However, I am seeking full-time employment after graduation. I interned with BB&T (Corp.) last summer with a community bank as a multicultural markets intern and had a great time with the company. I'll be back with them this summer with BB&T Insurance Services (Inc.), and my hope is that eventually I will become full time with the company in either the banking area or insurance.

How did you become interested in risk management?

It's kind of a funny story. It started halfway through my sophomore year. I started off as an international business major and really didn't know much of anything about insurance, and for that reason didn't consider it as a possibility whatsoever. And it wasn't until one of the folks here from the insurance department actually reached out to me with information about the program, as well as with a scholarship opportunity... After I got to learn a little bit more about it I started to see — at least from what it seemed like — how good a fit it would be for me, just the way of my personality and my interests. I consider myself a responsible young adult, and to be able to do that for a living — to be able to work with a company and (how being) able to manage its risks could actually be a job — I thought was pretty cool. We've just kind of gone from there, and so far I've enjoyed all my classes.

What do you hope to learn at RIMS 2015?

More about the opportunities within the industry, and to speak with some folks who have already had some experience within it, because as of now I do have an interest in going into insurance. That's my primary interest. But I don't know too much about the specifics. If someone were to ask me specifically what kind of career path I would like to take within it, I don't think I'd be able to answer that. So (I'd like to) hear firsthand from folks with different experiences and different positions within the industry. I think it will give it a much more personal and relatable point of view that I can take from there and continue to seek out opportunities.

What's your favorite movie?

Definitely the "Dark Knight Trilogy." I'm a sucker for Batman, and when those movies came out, they definitely put a modern spin on it.

What's your favorite food?

Ceviche. My family usually makes it with tilapia or shrimp. The taste brings back some memories of when I lived in Ecuador, and I usually only get to eat it when I visit my father in California. He is the best at making it!



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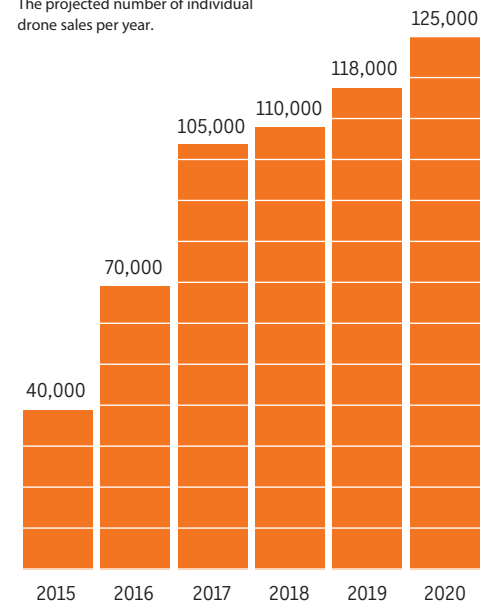
TOP 10 BUSINESS RISKS IN ASIA-PACIFIC

2015 rank	Risk	Percent responding	2014 percent responding (rank)	Trend
1	Business interruption and supply chain	42%	46% (1)	No change
2	Natural catastrophes	34%	30% (2)	No change
3	Fire/explosion	25%	25% (3)	No change
4	Loss of reputation or brand value	23%	21% (5)	No change
5	Intensified competition	22%	12% (9)	Increase
6	Market stagnation or decline	17%	N/A	Increase
7	Market fluctuations (foreign exchange rates)	14%	13% (8)	No change
8	Talent shortage/aging workforce	13%	9% (10)	Increase
9	Changes in legislation and regulation	10%	22%(4)	Decrease
10	Quality deficiencies, serial defects	9%	N/A	New on the list

Source: Allianz Global Corporate & Specialty S.E.

COMMERCIAL DRONES SET TO LIFT OFF

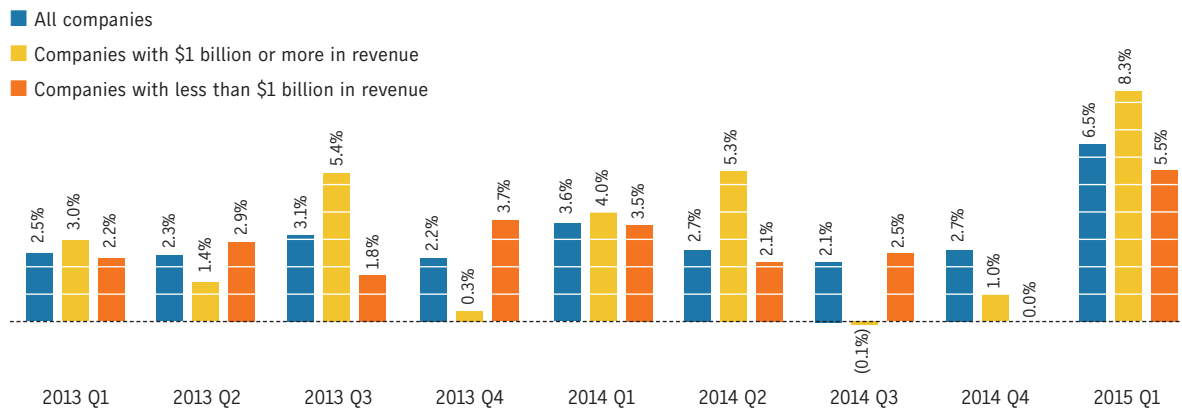
The projected number of individual drone sales per year.



Source: Association for Unmanned Vehicles Systems International

CYBER LIABILITY: U.S. HISTORICAL RATE CHANGE

Based on total price per million



Source: Marsh L.L.C.

MOBILE SECURITY

Mobile technology and risks are proliferating, but security efforts are not keeping pace.

- Companies with a mobile security strategy **31%**
- Companies that encrypt devices **38%**
- Companies using mobile device management **36%**

TOP MOBILE APP VULNERABILITIES

Privacy violation **74%**



Insecure storage **71%**



Insecure transport **66%**



Source: Hewlett-Packard Co.

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RIMS '15: A Focus on the NEW

Welcome to the RIMS 2015 Annual Conference & Exhibition. This year, RIMS is introducing several NEW initiatives and opportunities to enhance the conference experience. In addition to expanding attendee conveniences such as satellite registration at select hotels, offering a VIP Experience and special education tracks for students and rising risk professionals, RIMS has developed the following initiatives to support this year's theme of New Innovations, New Encounters and New Knowledge:

Innovation Showcase

Located in Booth 2329 of the Exhibit Hall, here attendees will have the opportunity to interact with technology transforming the practice of risk and insurance. Attendees can experience 3D virtual reality with Google Cardboard, sponsored by JLT Specialty Insurance Services Inc. They will also be able to use interactive touch-tables to watch videos, social feeds and more. And, once an hour, the drone on display will hover in the Exhibit Hall.

International Lounge

RIMS is hosting attendees from approximately 60 countries around the globe. International attendees and risk managers from outside the US and Canada can access the International Lounge to network with colleagues and hold impromptu meetings. Conveniently located by Registration, there will be daily educational sessions and group discussions.

Meet the Experts

Scheduled daily at the RIMS Hub (Booth 1021 in the Exhibit Hall), session leaders and subject matter experts will be available to chat with attendees, answer questions and discuss the very latest in risk management.

Session Content Murals

There will be a graphic artist, at select sessions, drawing large scale murals of the content and conversations in real time. Some of the final artwork will be on display at RIMS Hub, Booth 1021.

Selfie Contest

Look for our Selfie Spots throughout the convention center and in downtown New Orleans. Snap a pic, tag #RIMS2015Selfie and show us how much fun you're having! Prizes will be awarded. Stop by the RIMS Hub for more details.



Selfie Spot

#RIMS2015Selfie

RIMS | 15
New Orleans | April 26-29

What does
RISK MANAGEMENT
mean to *you?*

There's been a lot of talk lately about risk management and what it means. You turn to RIMS for our resources, tools and connections. And we love that. But we'd also like to inform and educate all business professionals on things risk related, as well as raise awareness for the profession and what we do as an industry.

HELP US ADVANCE THE PROFESSION, AS WELL AS RAISE YOUR VISIBILITY WITHIN THE INDUSTRY. TELL US, WHAT DOES RISK MANAGEMENT MEAN TO YOU?

REACH US VIA TWITTER (@RIMSORG) AND FACEBOOK (RIMSORG) USING #RMMEANS.



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CHAPTER AWARDS PROGRAM

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View the list of winners at
www.RIMS.org/Awards

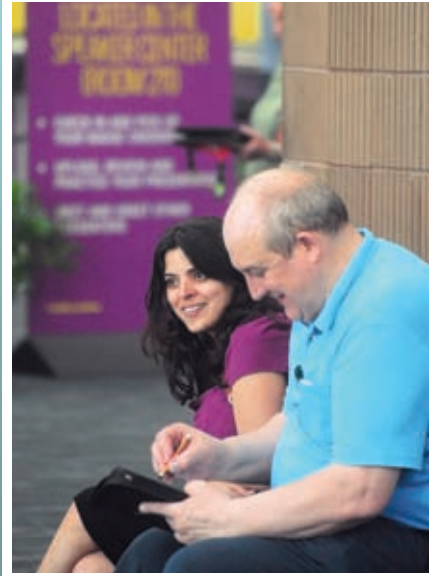
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SERVICE

Continued from page 1

fited from the aid of more than 100,000 volunteers.

The RIMS Community Service Day, sponsored by Zurich North America, saw insurers, risk managers, brokers and others being trained to use saws and climbing ladders to prime and paint houses, among other things.

Helping the project is part of Zurich's commitment to the community, said Dan Riordan, Zurich North America's CEO of Global Corporate, who is based in New York and was himself found up on a ladder painting a house.

He said part of the appeal of the RIMS Community Service Day is that people choose to come and participate – "they decide to come here, they like to come."

The effects of Hurricane Katrina are still felt across New Orleans almost 10 years later, and the house that Mr. Riordan and his fellow volunteers were painting had not been occupied since the deadly storm.

A desire to help the city recover and to give volunteers a chance to do real work – and even learn new skills – inspired



Elizabeth Morrell, principal, Silvient Inc., was one of many volunteers working to rebuild homes destroyed by Hurricane Katrina.

the founders of the St. Bernard Project.

"We saw previously independent, autonomous families living in decrepit conditions," said Mr. Rosenberg, CEO of the project. He said he and Ms. McCartney knew if they could find a way to get those families home again, they would be able to get back on their feet.

And so the St. Bernard Project was born.

A vital part of the St. Bernard Project, Mr. Rosenberg said, is the disaster and resilience recovery lab, funded by Zurich.

The lab focuses on 10 communities a year across the United States that are at risk of natural disaster and helps small businesses and homeowners take risk management steps to prepare for a catastrophe. It also helps communities recover after a disaster.

GLOBAL

Continued from page 1

ity of risks here," she said. "I'm sure cyber risk is one of the reasons — not the only one, but one of the reasons — that damage to reputation and brand has elevated to No. 1."

"As we've all seen from the recent headlines, companies that experience a cyberattack get a lot of media attention. There's a direct correlation in some cases ... to their sales in the next quarter," she said.

Rounding out the top five risks in the survey after reputation and brand are concerns over an economic slowdown/slow recovery; regulatory/legislative changes; increasing competition; and failure to attract or retain top talent.

While emphasizing that "the ranking of risks is one of the most valuable parts of the survey," Ms. Bourdon said, "There's a lot of great benchmark information that can be very valuable to organizations to help them better understand how they are managing risk relative to others."

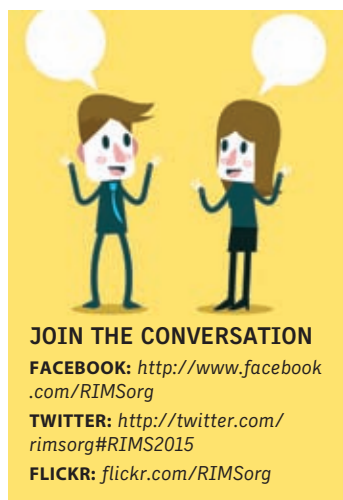
RIMS

Continued from page 1

"New Innovations" includes a large exhibit with about 400 exhibitors and a record number of new vendors participating.

"New Encounters" reflects the event's emphasis on networking, which is "probably the No. 1 reason to come to the conference," said Mr. Roberts, who is director of risk management and employee benefits at Ensign-Bickford Industries Inc. in Simsbury, Connecticut.

"New Knowledge" includes 165 educational sessions, Mr. Roberts said. It also reflects that RIMS is



"truly becoming an international organization," he said, with more than 60 countries represented at

the gathering.

In a demonstration of its global reach, RIMS will have a new international lounge at this year's conference for attendees from outside North America to meet and share ideas, said Mr. Roberts, who said he will be there to meet some of the international representatives.

The conference also will focus on a broad array of emerging risks, including cyber risk, the use of drones and the creation of new technologies such as 3-D printing, he said.

In addition, this year's conference will showcase the society's goal of cultivating young risk professionals. This goes beyond students, he said.

"We do a great job of engaging students, but then there's a gap," he said, noting that many risk management students find employment in brokerages or other organizations upon graduation before joining the ranks of risk management later in their careers. Rising risk professionals could be in their 30s, he said.

In addition, this year, RIMS is partnering with *Business Insurance* for a Tuesday breakfast that honors 2015 Risk Manager of the Year® Kathleen M. Ireland, vice president of global risk and insurance at IBM Corp., and the 2015 Risk Management Honor Roll®. The breakfast will include a state-of-the-industry panel discussion.



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WHAT MATTERS MOST



SMG's Ross J. Bourgeois gave a tour of the Superdome to college students and spoke about managing risks at the stadium.

SUPERDOME

Continued from page 3

Bowl XLVII in 2013, Mr. Bourgeois said there was a moment that he suspected it was an act of terrorism.

"That was a hairy few minutes, but everyone was remarkably calm," he said, adding that when the referees asked if they should remove the teams, he cautioned against it as it would send the wrong message.

Having 80,000 people in one location makes the Super Bowl "a highly visible target for a terrorist organization," said Andrew S. Kovacs Jr., Baton Rouge, Louisiana-based loss control manager for FARA Insurance Services, the Superdome's third-party administrator.

Mr. Kovacs, who greeted the students at the start of the tour, said it's important for future risk management professionals to realize that "identifying risks doesn't mean you're limited to a certain number of things. You have to expand your awareness of potentials. I hate to say 'think outside the box,' but it's a real practical thing when it comes

to risk management and assessing risk."

Students also had the opportunity to view the Superdome's Hurricane Katrina exhibit.

About 30,000 people took shelter at the Superdome during Katrina, which struck the Gulf Coast on Aug. 29, 2005. Despite holes blown in the roof and no electricity, the facility sustained no structural damage. However, Mr. Bourgeois said the Superdome will never again be used as a shelter.

"It was eye-opening to see the intense damage," said Corey Bledsoe, risk management and actuarial science major at Ferris State University in Big Rapids, Michigan. "Obviously, from a risk management standpoint, it makes sense" that the Superdome won't be used as a shelter again. "To have that many people in the stadium, it's not feasible, especially when there's no electricity, water or food."

Calling the Superdome "one of the most iconic and storied facilities in the country, if not the world," Mr. Bourgeois said he hopes the students "take away that there's no magic bullet. Everything we do here is tailored to a specific event."



AROUND THE HALL



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