

## DIFFERING VIEWS

Courts can review whether the Equal Employment Opportunity Commission negotiated sufficiently before filing discrimination charges against an employer, the U.S. Supreme Court ruled in *Mach Mining v. EEOC*.

**The EEOC says:** Courts should rely solely on "facial examination of certain documents."

**Mach Mining says:** The judicial review must be "far more intrusive."

**The Supreme Court says:** The EEOC has "extensive" but not unlimited discretion in conciliation efforts.

## EMPLOYMENT PRACTICES

### Employers win partial victory in bias case

Supreme Court rules on conciliation efforts

BY JUDY GREENWALD

A U.S. Supreme Court ruling that says the Equal Employment Opportunity Commission's conciliation efforts before filing litigation against businesses are subject to judicial review is, at best, a qualified win for employers, and subsequent court rulings will be needed to develop its full implications, observers say.

The unanimous April 29 ruling by the high court in *Mach Mining L.L.C. v. Equal Employment Opportunity Commission* holds that while the agency's conciliation efforts are subject to judicial review, it also has "extensive discretion" to determine the kind and amount of communication it has with an employer.

See **EEOC** page 29

## RISK MANAGEMENT

### COMMERCIAL RISKS GROW AS WILDFIRE LOSSES SPREAD

More businesses build operations in danger zones



AP PHOTO

Firefighters battled a 45-acre blaze last month in parched Granada Hills, California.

BY LOUISE ESOLA

Long-term drought over much of the United States is exacerbating the perennial risk of wildfires as greater commercial building in fire-prone areas expands the threat beyond homeowners.

Experts say the risk from such building on acreage once considered wilderness is starting to catch the attention of commercial insurers.

"The drought's the talk of the town," said Chris Drobný, a Los Angeles-based property risk specialist at Chubb Corp., who said the wildfire risk to businesses is a "big unknown."

What is known, fire and climate experts say, is that the

See **WILDFIRES** page 29

## P/C INSURERS

### Ironshore welcomes bid from China

Fosun looks to expand U.S. insurance holdings

BY MATTHEW LERNER

Fosun International Ltd.'s acquisition of the rest of specialty insurer Ironshore Inc. would give Ironshore access to capital through a publicly traded parent that wants to expand its insurance operations.

Under the deal announced earlier this month, Shanghai-based Fosun offered \$1.8 billion for the remaining 80% of Hamilton, Bermuda-based Ironshore that it didn't own. Fosun bought 20% of Ironshore last August for \$464 million.

At year-end, Ironshore had total assets of \$6.7 billion.

"This is a great day," Mitch Blaser, Ironshore's chief operating officer, said in an interview. "It gives us a strategic owner with long-term, permanent access to capital."

"They represent an open door to areas in Asia and opportunities that would not normally be available to a company like ours," he said.

Chinese billionaire Guo Guangchang, who controls Fosun and is the investment firm's chairman, said Ironshore has "outstanding brand value," a "widely recognized management team" and extensive insurance industry experience.

See **FOSUN** page 28

## WILDFIRE TOP 10

States ranked by acres burned in 2014

1	Oregon	984,629
2	California	555,044
3	Washington	386,972
4	Alaska	233,561
5	Arizona	205,199
6	Idaho	189,430
7	Oklahoma	157,080
8	Tennessee	156,391
9	Texas	131,138
10	Florida	101,599

Source: National Interagency Fire Center



## Q&A: JAMES KLEIN

American Benefits Council head discusses high court's looming health care reform ruling.

PAGE 12



## MARKET PULSE

Tokio Marine Kiln to offer unmanned drone coverage in Lloyd's of London market.

PAGE 22



## COMMENTARY

Senior Editor Mark A. Hofmann sees hope for insurers as Congress considers SIFIs.

PAGE 6



## SPECIAL REPORT

## RIMS CONFERENCE REPORT

There was an emphasis on the new at the 2015 Risk & Insurance Management Society Inc. Annual Conference & Exhibition. New innovations, new encounters and new knowledge formed the theme of the conference.

PAGE 17



<b>property</b>	<b>casualty</b>	<b>energy</b>
<b>surety</b>	<b>healthcare professional liability</b>	<b>homeowners</b>
<b>programs</b>	<b>life sciences</b>	<b>construction</b>
<b>travel protection</b>	<b>executive and professional lines</b>	<b>transportation</b>
<b>marine</b>	<b>environmental</b>	<b>builder's risk</b>

# partner.

IN LOCKSTEP WITH YOU LONG TERM



Berkshire Hathaway  
Specialty Insurance

Atlanta | Boston | Chicago | Los Angeles | New York | San Francisco  
Singapore | Hong Kong | Toronto

CONTENTS

FEATURES

INTERNATIONAL



Profile: Costa Rica

The Costa Rican insurance market is dominated by its state-owned insurer, but competition from private insurers is increasing. **10**

PERSPECTIVES

Self-insurance options



New health care plan models brought about by the health care reform law are challenging employers to

find options to rein in costs, says Joseph Berardo Jr. of health care services company MagnaCare. **15**

OFF BEAT



Counterpunching piracy

Floyd Mayweather Jr. became the welterweight world champion, but the next fight could be between promoters and streaming sites. **30**

SECTIONS

INTERNATIONAL **10**

PEOPLE **12**

OPINIONS **14**

PERSPECTIVES **15**

MARKET PULSE **22**

OFF BEAT **30**

NEWS

CATASTROPHES

INSURANCE COVERS FRACTION OF NEPAL'S QUAKE DAMAGE

Despite known threat, construction standards poor

BY SARAH VEYSEY

The devastating magnitude 7.8 earthquake that struck Nepal, killing at least 7,500 people and causing widespread destruction, highlights the quake-prone nation's lack of disaster preparedness and limited insurance coverage to mitigate losses.

The April 25 quake occurred at an estimated depth of 10 kilometers (6.2 miles), "making this a shallow and therefore extremely destructive event," according to Boston-based catastrophe modeling firm AIR Worldwide.

Most of Nepal's population lives in unreinforced masonry buildings "that are highly vulnerable to earthquake ground shaking," California-based catastrophe modeler Risk Management Solutions Inc. said in an analysis.

Although it is too early to fully assess losses caused by the quake, which was followed by dozens of aftershocks and caused deaths as far away as Bangladesh, India and Tibet, direct economic losses could be in the range of \$3 billion to \$3.5 billion, according to the Center for Disaster Management and Risk Reduction Technology at the Karlsruhe Institute of Technology in Germany.

Economic losses could top \$5 billion — about one-quarter of



AP PHOTO

People worked to knock down an earthquake-damaged home earlier this month in Lalitpur, Nepal.

Nepal's gross domestic product, according to Impact Forecasting, a unit of Aon Benfield in London.

But insurance is likely to cover only a fraction of that, experts say.

Total insurance penetration in Nepal was just 1.4% of its gross domestic product and property/casualty insurance penetration was just 0.5% in 2012, with per capita insurance spending of \$9.08, according to Axco Insurance Information Services in London.

State-owned Mumbai-based General Insurance Corp. of India, the largest reinsurer in Nepal, said its maximum loss from the disaster

would be about \$160 million.

"We have done the business of reinsurance with 13 Nepalese non-life companies and account for about a quarter of the total insurance in the country," A.K. Roy, chairman of GIC Re, said in a statement. "We are expecting claims from segments like power plants, housing, building and hotels."

Several Indian public-sector insurers, which also are reinsured by GIC Re, have some exposure to Nepal and likely will face claims, experts said.

See **QUAKE** page 27

REGULATION

Congress eyes bank-centric insurer rules

'Systemically important' firms have no way out

BY MARK A. HOFMANN

Critics of the way the Financial Stability Oversight Council designates nonbank financial entities as systemically important financial institutions are welcoming Congress' apparently greater interest in how the council operates.

Insurers have long held that they do not constitute a systemic threat to the U.S. economy and therefore should not be considered as SIFIs.

But three insurers — American International Group Inc., Prudential Financial Inc. and MetLife Inc. — have already been designated SIFIs by the council, which was established by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, which has been under increasing congressional scrutiny.

The SIFI designation involves considerably more than semantics: Nonbank financial institutions designated as SIFIs are subject to enhanced regulation by the Federal Reserve. Insurers have complained that this forces them to comply with bank-focused regulations that don't apply to the business of insurance.

MetLife has taken the federal government to court over its SIFI designation.

One of insurers' chief complaints is that the FSOC does not provide an "off-ramp" for insurers designated as SIFIs.

Sen. Mike Crapo, R-Idaho, shared that concern as he chaired a late-April hearing of the Senate Banking Committee's Subcommittee on Securities, Insurance and Investment



Sen. Crapo

on insurer capital rules and the FSOC process.

Sen. Crapo said a report he requested from the Government Accountability Office last year noted the transparency and accountability in the FSOC's SIFI designation process needed to be improved. He called for more transparency and establishing an off-ramp for insurers, a sentiment shared by the subcommittee's ranking member, Sen. Mark

See **FSOC** page 27

WORKERS COMPENSATION

Medicare payer appeals process may prove costly

BY SHEENA HARRISON

A new Medicare Secondary Payer appeals process for workers compensation and liability claims will allow payers to challenge reimbursement demands they believe are incorrect, but appeal costs could be greater than any potential savings.

"I think this is going to be used in extremely rare circumstances because it would have to be the right case," said Michael Merlino, senior vice president of Medicare compliance and structured settlements at Sedgwick Claims Management Services Inc. in Atlanta.

The Centers for Medicare and

"I think this is going to be used in extremely rare circumstances because it would have to be the right case."

Michael Merlino, Sedgwick Claims Management Services Inc.

Strengthening Medicare and Repaying Taxpayers Act, a 2013 law intended to ease compliance requirements.

The Medicare Secondary Payer Act requires insurers and self-insured employers to notify CMS of any workers comp or liability claim settlement involving a Medicare-eligible individual. CMS can issue liens requiring that settlements be used to reimburse the agency for medical care it paid on a claimant's behalf.

Under the new rules, insurers or self-insured employers deemed to be a primary payer for a Medicare

See **MEDICARE** page 27

5/11/15

ONLINE FEATURES

IN FOCUS VIDEO

RMOY winners discuss the state of the industry at RIMS

Risk Manager of the Year® winners discuss the current state of the risk management field.

www.BusinessInsurance.com/InFocus

GALLERY



RIMS 2015

Relive the 2015 conference in New Orleans or see what you missed.

www.BusinessInsurance.com/RIMS2015Gallery

40 UNDER 40

Nominations now open

Nominations for the 40 Under 40 Broker Awards are open for all regions.

www.BusinessInsurance.com/40under40

DIRECTORY

Captive domiciles & managers



The 2015 edition of Business Insurance's Captive Domiciles and Captive Managers Premium Edition, featuring 71

domiciles and 23 managers, is available now.

www.BusinessInsurance.com/CaptiveDirectory

**BUSINESS INSURANCE** (ISSN 0007-6864)  
Vol. 49, No. 10, is published biweekly by Crain Communications Inc., 150 N. Michigan Ave., Chicago, IL 60601-7620. Periodicals postage is paid at Chicago and at additional mailing offices.

**POSTMASTER:** Email address change to customerservice@businessinsurance.com or mail to Business Insurance Circulation Department, 1155 Gratiot Ave. Detroit, MI 48207-2912. \$10 a copy and \$149 a year in the U.S. \$169 in Canada and Mexico (includes GST). All other countries, \$249 a year (includes expedited air delivery). Canadian Post International Publications Mail Product (Canadian Distribution) Sales Agreement No. 40012850. GST No. 136760444. Canadian return address: 4960-2 Walker Road, Windsor, ON N9A6J3. Printed in USA. Copyright © 2015 by Crain Communications Inc.

NEWS

WELLNESS

SOCIAL MEDIA OFFERS NEW ROUTES FOR BENEFITS COMMUNICATIONS

Employers reach younger workers with tweets, posts

BY SHELBY LIVINGSTON

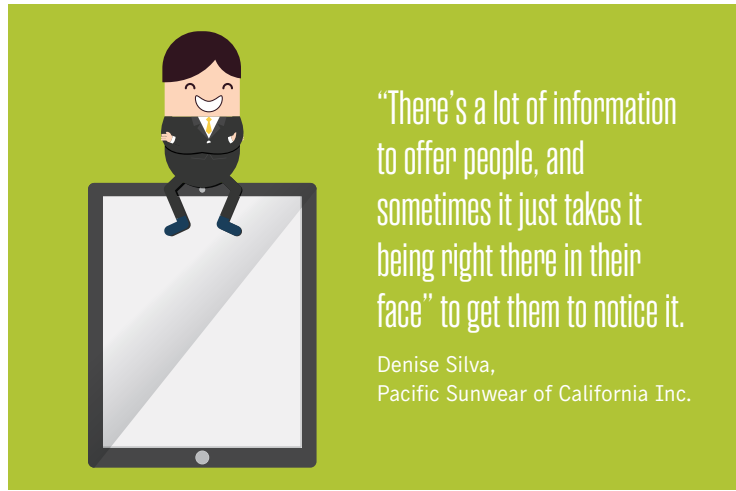
When Pacific Sunwear of California Inc. launched its wellness campaign last September, the clothing retailer found the biggest obstacle was reaching employees in its more than 600 stores nationwide.

So PacSun created a Facebook page, open to its 2,500 full-time benefits-eligible employees, where it provides information on everything from medical and emotional health to its 401(k) plan, said Denise Silva, the Anaheim, California-based company's manager of compensation and benefits.

"There's a lot of information to offer people, and sometimes it just takes it being right there in their face" to get them to notice it, Ms. Silva said, adding that the company also is trying to communicate with "our younger population in a way that they're used to seeing things."

But PacSun is one of the few companies experimenting with social media to communicate benefits information.

A survey the Society of Human Resource Management released in March found just 4% of organizations use social media for benefits communication. That compares with a National Business Coalition on Health and Benz Communications survey released in November that found 15% of predominant-



"There's a lot of information to offer people, and sometimes it just takes it being right there in their face" to get them to notice it.

Denise Silva,  
Pacific Sunwear of California Inc.

ly larger companies do so.

While some employers are using Facebook and Twitter, others have added feeds for employee comments or blogs to their benefits sites and rewards portals to encourage employee participation in benefits and wellness initiatives.

Ongoing communication, rather than mailings or emails at open enrollment, is the only way to drive employee engagement with complex benefits, said Jennifer Benz, CEO of San Francisco-based consultant Benz Communications.

"Everything (today) is kind of real-time, ongoing, nudging people and helping inform people to make better decision," she said.

Through social media channels, employees can comment on and discuss benefits and programs,

which can carry more weight with their colleagues than an endorsement from the company, said Barry Hall, Boston-based principal and innovation research leader at Buck Consultants at Xerox Corp.

"That's gold for an employer to have other employees helping to promote the resources or programs that they offer, and, ideally, endorsing them," he said.

But those conversations can turn sour. Instead of endorsing the benefits, employees could post negative comments — one reason most employers have yet to fully embrace social media in the benefits department.

Employers may be wary of losing control of the conversation, Mr.

See **SOCIAL** page 27

WORKPLACE SAFETY

OSHA addresses deadly electrical risks

BY BILL KENEALY

Federal regulators' adoption of industry consensus standards shows their desire to keep up-to-date with worker safety risks posed by electricity, including highly dangerous arc flashes that cause thousands of burns each year.

While the rules the U.S. Occupational Safety and Health Administration adopted April 1 apply specifically to energy and utility companies, OSHA has encouraged all businesses to abide by the best electrical safety practices amid gains in research and improvements in protective gear.

Particularly for construction, electrical injuries are among the industry's "fatal four" that caused more than half of construction deaths in 2013, according to OSHA's website.

Arc flashes, which the Workplace Safety Awareness

Council said cause about 7,000 burn injuries a year and hospitalization costs ranging from \$200,000 to \$750,000, happen when electrical current travels through the air from one conductor to another or to the ground.

"When you comb through (Bureau of Labor Statistics) data, you find that it is often people who are not trained as electricians who are getting hurt. It's often janitors or maintenance people. These are folks who had no idea what the danger truly is," said Brett Brenner, Arlington, Virginia-based president of the Electrical Safety Foundation International.

Several factors can cause an arc flash and the results can be deadly.

Among the standards modified by OSHA, which declined to comment for this report, are wider use of personal protective equipment and clothing.



See **ELECTRIC** page 26

PENSION BENEFITS

Multiemployer pension plans require boost

Lawmakers look to attract employers

BY JERRY GEISEL

Six months after Congress passed landmark legislation to prevent, or at least delay, the collapse of massively underfunded multiemployer pension plans and the federal insurance program that protects participants' benefits, lawmakers are drawing up proposals to attract new employers to the plans.

"We have got to get new people into the plans. A new plan structure is needed. I am committed to it," Rep. Phil Roe, R-Tenn., said during an April conference in Washington sponsored by the Sheet Metal and Air Conditioning Contractors' National Association.

While a legislative proposal laying a new plan design has yet to be formally introduced, it is expected to draw upon recommendations earlier made by a panel of the Washington-based National Coordinating Committee for Multiemployer Plans, which represents many of the nation's 1,400 multiemployer plans.

Among other things, that panel proposed that benefits earned by multiemployer plan participants would have to be 120% funded.

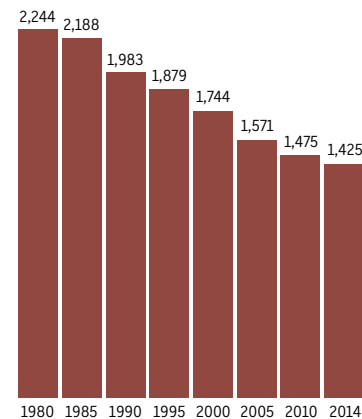
If a plan became underfunded, participants' future benefits could be cut and/or employer contributions could be increased.

"It is a shared-risk plan," said Diane Gleave, senior vice presi-

See **MULTIEMPLOYER** page 28

MULTIEMPLOYER PENSION PLANS

The number of multiemployer pension plans has fallen by more than one-third since 1980.



Source: Pension Benefit Guaranty Corp.

**You have a passion  
for your business.**

**We have a passion  
for protecting it.**



You live for the challenge of managing risk and discovering opportunities no one else sees. You have a passion for your company. Liberty Mutual Insurance has a passion for protecting it. For more than 100 years, we've helped all types of businesses thrive. With coverages like general liability, property, and workers compensation, you'll get the peace of mind you need to focus on staying ahead of the competition. Talk to your agent or broker today about Liberty Mutual Insurance, or go to [libertymutualgroup.com/business](http://libertymutualgroup.com/business).



# OSHA targets health care, social services for upgraded workplace violence prevention

But all employers would benefit from worker-protection program reviews

BY STEPHANIE GOLDBERG

The U.S. Occupational Safety and Health Administration has updated its workplace violence prevention guide for the health care and social services industry — but a comprehensive workplace violence prevention plan is a best practice for all employers, experts say.

The federal agency's recently updated guidance targets health care and social services workers, because they were nearly four times as likely to be injured as a result of violence on the job than other private-industry workers in 2013, the Bureau of Labor Statistics said of the latest data available.

In addition, more than one-quarter of the 341 private-industry workplace homicides in 2013 were in the retail trade sector, which includes grocery, clothing and accessories stores, and gas stations, said Washington-based BLS economist Stephen Pegula.

But while workers who deal directly with the public have a higher exposure to violence, no workplace is immune, sources say.

"Workplace violence is recognized as an occupational hazard in a variety of industries," an OSHA spokeswoman said in an email. "In addition to the health care and social services industry, OSHA has guidance or has investigated workplace violence in other industries such as late-night retail, security/correctional settings and in transportation sectors."

"(Employers) have a duty to be both responsible and accountable for the safety and the protection of their workforce," said Kevin Wilkes, Pittsburgh-based security practice leader at Willis North America Inc. Yet, he said, the vast majority of employers do not have a compre-



## WORKPLACE VIOLENCE

645 people were killed and 38,500 were injured in 2013 in the workplace as a result of violence and other injuries by people or animals. Experts said employees in industries that require them to deal directly with the public are more at-risk:

Industry	INJURIES	
	Fatal	Nonfatal
Retail trade	127	2,680
Accommodation and food services	93	1,160
Transportation and warehousing	71	840
Health care and social assistance	28	21,590
Educational services	7	1,000

Source: U.S. Bureau of Labor Statistics

hensive workplace violence prevention plan.

A written program should include management commitment and employee participation; a worksite analysis; hazard prevention and control; safety and health training; and recordkeeping and program evaluation, according to OSHA.

"Probably 95% of the workplace violence plans

I see are inadequate and missing key components like mitigation," said Dick Sem, president of security and workplace violence consultant Sem Security Management in Lake Geneva, Wisconsin. Some employers may have only an active shooter plan, but "we want to keep it from rising to that level in the first place," he said.

Roanoke County, Virginia, Police Sgt. Chris Kuyper said the police department routinely works with schools on violence prevention, but most businesses have no plan.

Sources said workplace violence, which includes stalking, harassment and physical assault, often involves customers, clients or patients; employees or supervisors; and domestic partners or relatives of employees.

As an employer, West Bend Mutual Insurance Co. continually updates its 5-year-old workplace violence prevention policy so employees, especially those working with claimants, know how to address potential threats, said Mark Riesinger, corporate security manager for the West Bend, Wisconsin, insurer.

Since employees work in an office building with a receptionist, usually "we have time to react and ... look at all of the circumstantial evidence (such as any emails exchanged) to determine if there's a true risk for a threat or if a simple phone conversation can de-escalate the situation," he said.

Employers have to take all threats against workers or the organization seriously, Mr. Wilkes said. "That means getting local law enforcement involved immediately so they can take the proper steps to assess the threat and

See VIOLENCE page 26

## SERGEANT: KEEP POLICE IN THE LOOP

The Roanoke County, Virginia, Police Department began hosting workplace violence prevention workshops for employers this year.

It's important that employers know how to protect themselves and their workers "long enough for (law enforcement) to arrive and help take care of the situation," Sgt. Chris Kuyper said.

Workplace violence often stems from a domestic issue, Sgt. Kuyper said. "A woman might break up with her significant other. That significant other knows where she works. She's a viable target there."

Besides encouraging workers to report incidents, employers should designate a safe location for staff to gather and tell law enforcement where it is, Sgt. Kuyper said.

"We want to put an officer there to secure that location," he said. "If, for example, you have an active shooter workplace violence incident that involves an employee, they know where everybody is going."

Other tips include periodically moving that safe location and keeping cellphones on vibrate during an incident.

Sgt. Kuyper added drills help workers "do things without even thinking about it."

By Stephanie Goldberg

## DIRECTORS & OFFICERS LIABILITY

# Active market for new stock listings expected to keep courts busy, too

BY JUDY GREENWALD

While the number of initial public offerings so far this year is less than at this time last year, more litigation reflecting last year's high volume is expected.

But insurers' appetite for IPO-related directors and officers liability coverage remains robust, with the possible exception of life sciences-related offerings, many experts say.

There were 38 U.S. IPOs in the first quarter this year, down 46.5% from the comparable period a year ago, according to London-based Ernst & Young L.L.P. While the IPO market now is taking time to

absorb 2014's strong activity, it is expected to gain strength, according to the accounting and consulting firm.

"Litigation correlates with IPO cases. Obviously, there's more litigation activity when there's more IPOs," said Jacqueline Urban, Chicago-based senior managing director and practice leader in Aon Risk Solutions' financial services group.

Litigation typically is filed within three years of an IPO, usually in response to lower stock prices sparked by a company announcement. IPOs are governed by Section 11 of the Securities Act of 1933, under which plaintiffs do not have

## 2015 IPOs

Five largest initial public offerings on U.S. exchanges during the first quarter of 2015

Issuer	Sector	Proceeds
Columbia Pipeline Partners L.P.	Energy and power	\$1.23 billion
Inovalon Holdings Inc.	Technology	\$684 million
InfraREIT L.L.C.	Real estate	\$529 million
Summit Materials Inc.	Industrial (building materials)	\$460 million
Euronav N.V.	Industrial (maritime shipping)	\$229 million

Source: Ernst & Young L.L.P.

to prove there was intent or knowledge of issuer wrongdoing in their registration statements.

"The further you get away from the IPO date, the tougher it is for the plaintiffs to maintain a Section

11 claim," said Joseph Monteleone, a partner at Rivkin Radler L.L.P. in Hackensack, New Jersey.

Observers say it is crucial that companies going public have experienced, knowledgeable advisers

and are upfront about possible risks.

"If you're going to go public, you really need to be prepared for the kind of scrutiny you're going to be under," said Kevin LaCroix, executive vice president at RT ProExec, a division of R-T Specialty L.L.C. in Beachwood, Ohio.

"The one way to avoid lawsuit is not only initial transparency, but continual transparency," said Heidi A. Lawson, a member of law firm Mintz Levin Cohn Ferris Glovsky & Popeo P.C. in Boston.

"But at the end of the day, every company that goes public is still

See IPO page 26

**NO  
PARKING  
ANY  
TIME**



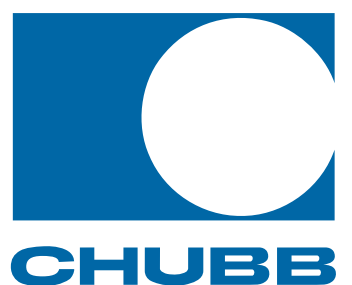
**I'VE  
GOT SOME  
REGRETS, BUT  
INSURING  
WITH CHUBB  
ISN'T ONE  
OF THEM.**

**INSURANCE AGAINST REGRET™**

TALK TO YOUR CLIENTS ABOUT CHUBB.

PROPERTY / LIABILITY / EXECUTIVE PROTECTION / WORKERS COMPENSATION / MARINE  
SURETY / HOMEOWNERS / AUTO / YACHT / JEWELRY / ANTIQUES / ACCIDENT & HEALTH

[www.chubb.com](http://www.chubb.com)



Chubb Group of Insurance Companies ("Chubb") is the marketing name used to refer to the insurance subsidiaries of The Chubb Corporation.  
For a list of subsidiaries, please visit our website at [www.chubb.com](http://www.chubb.com). Actual coverage is subject to the language of the policies as issued.  
Chubb, Box 1615, Warren, NJ 07061-1615. © 2015 Chubb & Son, a division of Federal Insurance Company.

## XL seals \$4.28 billion merger with Lloyd's powerhouse Catlin

■ XL Group P.L.C. has completed its \$4.28 billion acquisition of Catlin Group Ltd. The combined company will be marketed as XL Catlin while keeping XL Group P.L.C. as the name of the parent, the companies said in a statement. Mike McGavick will continue as CEO, and Stephen Catlin, founder and CEO of Catlin, will be executive deputy chairman and serve on the combined company's board of directors. The closing of the transaction follows the receipt of all necessary regulatory and shareholder approvals, the insurers said in the statement. The deal, originally proposed in December, creates an insurance powerhouse writing nearly one-tenth of all Lloyd's of London business.

## EEOC tests digital portal for contacting employers

■ The U.S. Equal Employment Opportunity Commission has launched a pilot program to digitally transmit documents between the agency and employers regarding discrimination charges. Eleven of the EEOC's 53 offices will participate in the program, called ACT Digital. This is the first step in its move toward an online charge system the EEOC said. The system applies to private and public employers, as well as unions and employment agencies. EEOC offices participating in the program are Charlotte, Greensboro, Greenville and Raleigh, North Carolina; Norfolk and Richmond, Virginia; and San Francisco. Offices in Denver, Detroit, Indianapolis and Phoenix will begin pilots by the end of the month.

## Georgia spells out rideshare insurance requirements

■ Georgia Gov. Nathan Deal signed into law a measure that establishes insurance requirements for commercial ride-sharing services such as Uber Technologies Inc. and Lyft Inc. The law requires that a transportation network company maintain an insurance policy that recognizes that the driver is a transportation network company driver. The policy must provide a minimum of \$1 million for death, personal injury, and property damage per occurrence

and provides uninsured and underinsured motorist coverage of at least \$1 million per incident, covering the period of time a driver accepts a ride request on the transportation network company's digital network until the driver completes the transaction or the ride is complete, whichever is later.

## IRS sets 2016 contribution limits for health savings accounts

■ Maximum contributions that can be made to health savings accounts in 2016 will increase \$100 for families, but remain unchanged for individuals. The maximum contribution that can be made next year to an HSA linked to a high-deductible plan will be \$6,750 for employees with family coverage, up from \$6,650, while the maximum contribution for those with single coverage will remain at \$3,350, according to the IRS. Maximum out-of-pocket employee expense, including deductibles, will rise \$100 next year to \$6,550 for single coverage, and increase \$200 next year to \$13,100 for family coverage. For 2016, a high-deductible health plan is defined as a one with an annual deductible of at least \$1,300 for self-only coverage and \$2,600 for family coverage.

## Marsh & McLennan reports flat revenue, higher profit

■ Marsh & McLennan Cos. Inc. posted consolidated revenue of \$3.21 billion in the first quarter of 2015, essentially flat from the same period a year ago. However, net income was \$482 million in the first quarter, up 8.8% from the prior-year period. During a call with analysts, Marsh & McLennan President and CEO Dan Glaser noted 3% underlying revenue growth exhibited by the company's Marsh L.L.C. insurance brokerage unit, which posted first-quarter revenue of \$1.43 billion, down slightly from \$1.45 billion a year ago. Reinsurance brokerage Guy Carpenter & Co. L.L.C.'s underlying revenue grew 2% due to increased demand for services in the marine and Lloyd's of London property segments. However, revenue fell 3.4% to \$368 million for the quarter. Mr. Glaser also noted the ongoing investments being made by employee benefits and human resources consulting unit Mercer L.L.C., which saw revenue dip slightly to \$1.03 billion in the quarter from \$1.06 billion a year ago.

## AI G first-quarter profit rises on sale of shareholdings

■ American International Group Inc. reported a profit of \$2.5 billion for the first quarter of 2015, a 56.3% increase over the same period last year, but most of the increase — \$874 million — was attributable to net realized capital gains. Of that gain, \$500 million resulted from the sales of large shareholdings in China's PICC Property & Casualty Co. Ltd. Commercial property/casualty insurance net written premiums for the quarter rose less than 1% to \$5.04 billion. First-quarter 2015 catastrophe losses were \$71 million vs. \$184 million in the prior-year quarter. The commercial property/casualty operation's combined ratio improved to 97.1% from 98.9% during the same period a year earlier.

## Aon quarterly revenue declines on strong dollar, lower rates

■ Aon P.L.C. saw first-quarter revenue slip 3.4% to \$2.85 billion as headwinds from foreign currency and excess reinsurance capital offset 3% organic growth, the brokerage said. First-quarter net income rose 1% to \$325 million as expenses decreased 2.9% to \$2.41 billion. Revenue in Aon's Risk Solutions segment declined 5% to \$1.90 billion, the earning statement said. Expenses decreased 4.3% to \$1.50 billion. Revenue in Aon's HR Solutions segment declined 0.1% to \$970.0 million. Expenses were flat at \$894.0 million.

## Marsh & McLennan makes executive appointments

■ Marsh & McLennan Cos. Inc. announced that Marsh L.L.C. President and CEO Peter Zaffino has been appointed chairman of Marsh & McLennan's Risk & Insurance Services segment, which includes Marsh and Guy Carpenter & Co. L.L.C. Mr. Zaffino will continue to serve as Marsh president and CEO, reporting to Daniel S. Glaser, president and CEO of Marsh & McLennan. Marsh & McLennan also said Peter Hearn, most recently chairman of Willis Re, will join Guy Carpenter as its CEO next year. Mr. Hearn will not join Guy Carpenter until May 2016 to enable him to honor the terms of a noncompetition agreement.

# BI adds managing editor, staff reporter

Mary Jane Grandinetti has joined *Business Insurance* as managing editor.

A longtime business editor, Ms. Grandinetti spent more than 30 years in various positions at the Chicago Tribune. More recently, she worked as a journalism instructor and freelance reporter.

Prior to leaving the Tribune in 2013, she was online business editor/Monday business editor, where she was part of the team that produced the business section and breaking business blog for *chicagotribune.com*.

Other positions she held at the Tribune include national business editor, deputy financial features editor and transportation/cars editor.



Ms. Grandinetti

Ms. Grandinetti graduated from Northwestern University in Evanston, Illinois, in 1980 with a



Ms. Livingston

bachelor's degree in journalism. She succeeds Paul Bomberger, who recently took up a position as

assistant business editor at The Philadelphia Inquirer.

Ms. Grandinetti can be reached at [mgrandinetti@businessinsurance.com](mailto:mgrandinetti@businessinsurance.com) and 312-649-5483.

Also, *Business Insurance* has promoted Shelby Livingston to staff reporter covering benefits management.

Ms. Livingston graduated from Clemson University in South Carolina in 2013 with a bachelor's degree in English and graduated from Northwestern University in 2014 with a master's in journalism. She previously was editorial assistant and joined *Business Insurance* last November.

Ms. Livingston can be reached at [slivingston@businessinsurance.com](mailto:slivingston@businessinsurance.com) and 312-649-5398.

**Publisher:**  
Frank Quigley (Chicago)

**Associate Publisher/  
Online General Manager:**  
Paul D. Winston (Chicago)

**Editor:**  
Gavin Souter (Chicago)

**Editor-at-Large:**  
Jerry Geisel (Washington)

**Managing Editor:**  
Mary Jane Grandinetti (Chicago)

**Assistant Managing Editors:**  
Charmain Benton (Chicago);  
Aranya Tomseth (Chicago)

**Art Editor:**  
William Murphy (Chicago)

**Senior Editors:**  
Judy Greenwald (San Jose);  
Mark A. Hofmann (Washington);  
Sarah Veysey (London)

**Associate Editors:**  
Matt Dunning (New York);  
Stephanie Goldberg (Chicago);  
Sheena Harrison (Chicago);  
Bill Kenealy (Chicago);  
Matthew Lerner (New York)

**Staff Reporter:**  
Shelby Livingston (Chicago)

**Copy Desk Chief:**  
Katherine Downing (Chicago)

**Copy Editor:**  
Dave Roknic (Chicago)

**Copy Editor/Video Producer:**  
Jewell C. Washington (Chicago)

**Director of Research:**  
Angelina Villarreal (Chicago)

**Editorial Cartoonist:**  
Roger Schillerstrom (Chicago)

**Advertising Sales Director:**  
Peter Oxner (Chicago)

**Northeast Regional Sales Manager:**  
Ron Kolgraf (Boston)

**Mid-Atlantic Advertising Manager:**  
Mark Krawiec (New York)

**Midwest/West Advertising Manager:**  
Spencer Moysey (Chicago)

**Custom Media Business  
Development Director:**  
Kimberly Jackson (Boston)

**Account Executive:**  
Pegeen Prichard (Chicago)

**Marketing Director:**  
Clifton Simmons (Chicago)

**Sales & Marketing Specialist:**  
Katie Kett (Chicago)

**Media Services Manager:**  
Victoria Edwards (Chicago)

**Associate Group Publisher -  
Conferences & Marketing Services:**  
Nikki Pirrello (New York)

**Director of Conference Programming:**  
Joanne Wojcik (Denver)

**Events Manager:**  
Julie Ford (Chicago)

**Director of Audience Development:**  
Sherry Skalko (Chicago)

**Digital Product Manager:**  
Christina Kneitz (Chicago)

**Reprint Sales Manager:**  
Lauren Melesio (New York)

**EDITORIAL:**  
Chicago: 312-649-5200;  
London: 44-207-457-1400;  
New York: 212-210-0100;  
San Jose: 408-774-1500;  
Washington: 202-662-7200

**ADVERTISING:**  
Boston: 617-261-8459;  
Chicago: 312-649-5224;  
New York: 212-210-0136

**SUBSCRIPTIONS & SINGLE COPY SALES:**  
1-877-812-1587 (U.S. & Canada)  
1-313-446-0450 (All other locations)

*Business Insurance* is published by  
Crain Communications Inc.

Crain Communications Inc. Board of Directors  
**Chairman:** Keith E. Crain

**President:** Rance Crain

**Treasurer:** Mary Kay Crain  
Cindi Crain

**Executive Vice President/Operations:**  
William A. Morrow

**Executive Vice President/  
Director of Strategic Operations:**  
Christopher Crain

**Senior Vice President/Group Publisher:**  
David Klein

**Chief Financial Officer:**  
Thomas Stevens

**Vice President/Group Publisher:**  
Chris Battaglia

**Vice President/Production & Manufacturing:**  
Dave Kamis

**Chief Information Officer:**  
Anthony DiPonio

**G.D. Crain Jr.:**  
Founder (1885-1973)

**Mrs. G.D. Crain Jr.:**  
Chairman (1911-1996)

**Merrilee P. Crain:**  
Secretary (1942-2012)

**S.R. Bernstein:**  
Chairman-executive committee (1907-1993)

Where there's risk, there's complexity. It's really that simple. That's why we built an insurance company that manages risk across a broad spectrum of niche, real-world industries. From social and human services, sports and fitness to entertainment, education to the environment. At Philadelphia Insurance Companies, we handle complex risk and make it simple for you to manage. Giving your clients the freedom they need to do what they do best. Learn more. Call 855.411.0797 or visit Think**PHLY.com**.



Complex Risk. Simply Handled.

---

A.M. Best A++ Rating  
Ward's Top 50 2001-2014  
97.5% Claims Satisfaction  
100+ Niche Industries

---



**PHILADELPHIA**  
INSURANCE COMPANIES

A Member of the Tokio Marine Group

Philadelphia Insurance Companies is the marketing name for the property casualty insurance operations of Philadelphia Consolidated Holding Corp., a member of the Tokio Marine Group. All products are written by insurance company subsidiaries of Philadelphia Consolidated Holding Corp. Coverages are subject to actual policy language.

## Insurers worldwide buying into ERM

■ Most insurers throughout the world say their top leaders view enterprise risk management as an important business strategy that adds value to their companies, Towers Watson & Co. said in a survey. About 74% of insurance executives said they believe risk management is a strategic partner in their businesses, according to Towers Watson's Eighth Biennial Global Enterprise Risk Management Survey. Of those respondents saying ERM is important, 73% said that they are happy with their ERM programs. Overall, 63% of respondents said they're satisfied with their ERM performance, up from 53% in 2013. About 70% of executives surveyed by Towers Watson said they expect ERM to increase shareholder value because of improved risk-related decision-making, while 61% said ERM has been one of the top drivers of change within their companies. The survey included nearly 400 global insurance executives representing 23 of the world's 50 largest insurers, Towers Watson said.

## Global cyber security needs incentives

■ The private sector should become more actively involved in addressing the inadequate global cyber governance framework, Zurich Insurance Group Ltd. said in a report. A "comprehensive and functional regime of global cyber security governance is clearly lacking," according to the report, "Risk Nexus, Global Cyber Governance: Preparing for New Business Risks." And while it is "relatively effective" on the more technical aspects of network systems' proper functioning, effective global governance is lacking with regard to cyber warfare issues, such as interstate terrorism and espionage, or cyber attacks on critical infrastructure for political purposes, the report says. The report calls for incentives to align public and private-sector interests, and recommends that businesses should get financial incentives to invest in cyber security.

## Continuity contributes to Scor results

■ Scor S.E. reported first-quarter 2015 net income of €175 million (\$187.9 million), a 29.6% increase over the comparable period a year ago. The French reinsurer posted €3.12 billion (\$3.35 billion) in gross written premiums, a 17% increase

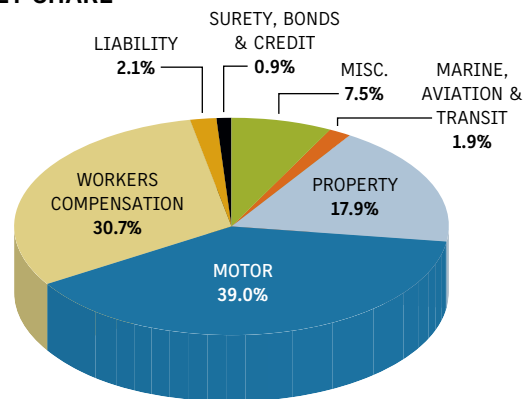
## PROFILE: COSTA RICA

**\$800.6 MILLION**

The Costa Rican insurance market is dominated by state-owned insurer Instituto Nacional de Seguros, which accounts for more than 90% of premium income. Competition from private insurers is increasing, however, and competition for new business is high. In the commercial insurance sector, small and medium-size enterprises represent the vast majority of business risks. Premium growth has been erratic, exceeding inflation in only three of the past five years.

◀ 2013 P/C gross premiums

### MARKET SHARE



Source: Axco Global Statistics/Industry Associations and Regulatory Bodies

### COMPULSORY INSURANCE

- Auto third-party liability
- Workers compensation
- Aviation third-party liability
- Clinical trials
- Professional liability for insurance brokers
- Shipowners liability for marine oil pollution

### NONADMITTED

Nonadmitted insurance is not permitted in Costa Rica because the insurance law provides that insurance must be purchased from locally authorized insurers, with the exception of cross-border coverage with insurers in countries with which Costa Rica has a trade agreement. These include the United States, Canada and several Latin American and Caribbean nations.

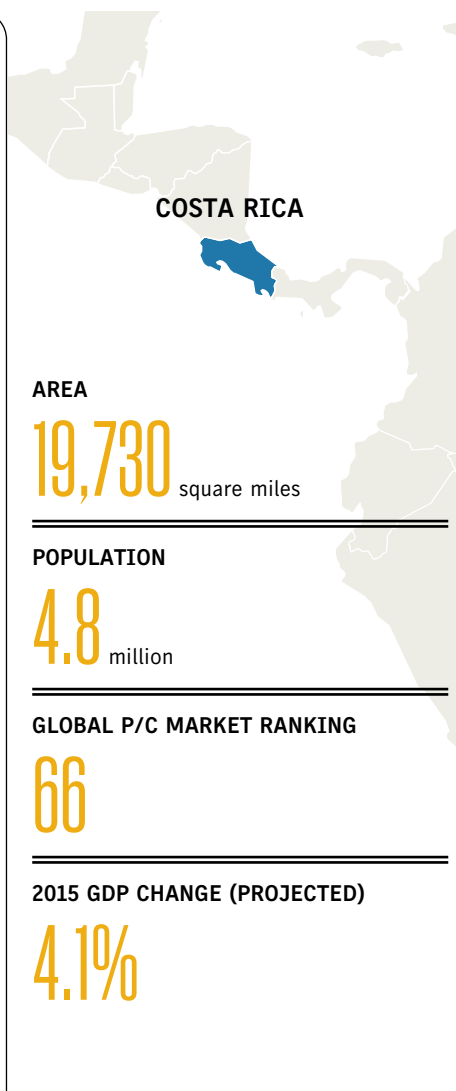
### INTERMEDIARIES

Intermediaries are required to be authorized to conduct insurance business. Intermediaries are not permitted to place business with nonadmitted insurers, with the exception of countries with which Costa Rica has a trade agreement. In these cases, intermediaries must be registered and comply with regulatory requirements.

### MARKET PRACTICE

Historically, there are no reported instances of placements with nonadmitted insurers; however, some organizations use the services of visiting brokers to place insurance overseas. The INS can front a risk and reinsure 100%, but in practice it always keeps a retention.

Information provided by Axco Insurance Information Services.  
[www.axcoinfo.com](http://www.axcoinfo.com)



### MARKET DEVELOPMENTS

UPDATED APRIL 2015

- In November 2012, the Constitutional Court ruled that the workers compensation and compulsory auto third-party liability insurance markets could be opened to private insurers. However, the sector is still awaiting the publication of the regulatory framework for an open market for auto third-party liability insurance.
- Since April 2013, all mergers and acquisitions of companies with more than \$15 million in assets must be approved by regulators.
- In early 2014, legislation took effect requiring insurers to establish an independent body to deal with consumer complaints and publish regular reports.
- The most recent entrant in the insurance market is Seguros LAFISE, a subsidiary of the Nicaraguan financial conglomerate Latin American Financial Services Group, which was authorized in October 2014.

from the comparable quarter a year ago, according to its earnings statement, while property/casualty operation posted an 89.1% combined ratio for the quarter vs. an 88.9% combined for 2014's first quarter. Continuity is the key word in describing Scor's property/casualty results, said Victor Peignet, CEO of Scor Global P&C, during an analysts call. Mr. Peignet said the property/casualty results reflect continuity of the company's underlying profitable growth, the quality of its technical results, and the successful deployment of its business initiatives as part of its strategic and underwriting plans.

## U.S., Canada toughen rules for oil train safety

■ The United States and Canada announced long-awaited safety

rules for trains carrying oil, calling for a rapid phase-out of older tank cars, considered unsafe during derailments. Under the rules, announced by Canada's Minister of Transport, Lisa Raitt and U.S. Transportation Secretary Anthony Foxx, tank cars built before October 2011 known as DOT-111 will be phased out within three years. DOT-111 tank cars, until now the workhorses of the oil-by-rail fleet, are considered prone to puncture during accidents, increasing the risk of fire and explosions. Tank cars built after October 2011 meeting more updated standards, known as CPC-1232, without reinforced hulls will be phased out by 2020, three years faster than rules proposed in Canada earlier this year that were already considered stringent. "This stronger, safer, more robust tank car will protect communities on both sides of our shared border," Canada's Ms. Raitt said. The

tougher standards come nearly two years after a train carrying crude oil came off the rails in the Canadian town of Lac-Mégantic, Quebec, in July 2013, exploding and killing 47 people.

Reuters

## Life, health unit boosts profit at Swiss Re

■ Improvements to Swiss Re Ltd.'s life and health reinsurance unit helped boost the reinsurer's first-quarter 2015 profit by 17%, to \$1.44 billion, compared with the prior-year period, the company said. Most of that came from a more than fourfold increase in profit for Swiss Re's life and health reinsurance unit, which jumped to \$277 million for the quarter. Swiss Re said in a statement that the life and health unit was boosted by the company's efforts to address

underperforming areas of that division last year. This "first quarter's performance is good evidence that our strategy for the segment is on track," the statement said. Swiss Re reported \$7.56 billion in premiums earned and fee income for the first quarter of this year, up 0.15% from a year ago. Premiums across the reinsurer's various segments remained relatively flat.

## Hannover Re reports increased profit

■ Hannover Re S.E. posted net income of €279.7 million (\$300.3 million) for the first quarter of 2015, up 20.0% compared with the first quarter of 2014, the German reinsurer said. For life and health reinsurance, Hannover Re posted net income of €127.5 million (\$136.9 million) for the quarter, a 193.8% increase over the first quarter of

2014. Net income for property/casualty reinsurance was 171.4 million (\$184.0 million) for the first three months of 2015, down 13.4% from the first quarter of 2014, Hannover Re said, adding that competition in property/casualty reinsurance was “intense.” The reinsurer’s combined ratio for property/casualty reinsurance during the quarter was 95.7%, compared with 94.4% for the first quarter of 2014. Major losses during the quarter included those from Windstorm Niklas, which affected many areas of Europe; and the Germanwings passenger plane crash in the French Alps, which cost it about €62.0 million (\$66.6 million). Overall, Hannover Re’s gross written premium was €4.40 billion (\$46.6 million) for the first quarter of 2015, up 21.6% on the comparable period last year. Investment income increased 15.% to €415.7 million (\$446.3 million).

## Everest Re looks to grow insurance business

■ Hamilton, Bermuda-based Everest Re Group Ltd. reported first-quarter net income of \$323 million, a 9.8% increase over the same period a year ago. Gross written premiums totaled \$1.40 billion for the quarter, up 12.0%, while the company’s combined ratio increased by 1.9 percentage points to 81.9%. “The increase in the combined ratio was solely in the reinsurance segment, where competitive conditions are continuing to push rates lower and commissions higher,” Dominic J. Adesso, president and CEO of Everest Re, said during an analyst call. John Doucette, the reinsurer’s executive vice president and chief underwriting officer, said the reinsurer is working to improve its primary insurance operations, citing growth in premiums in the California workers compensation market as an example. “Reinsurance has long been Everest’s tradition, but over the next several years, we want to build an insurance operation to complement our reinsurance operation and strengthen the company overall,” Mr. Adesso said.

## Allianz says Pimco will hit earnings

■ Allianz S.E. warned that outflows of customer funds from its U.S. investment manager unit, Pimco, will hurt earnings this year, and said it is not yet possible to predict when flows might turn positive again. Pimco, which contributes more than one-fifth of the German insurer’s operating profit, saw record outflows and management turmoil last year, including the acrimonious departure of its

leader Bill Gross, known as the “Bond King.” Investors have continued to withdraw money this year, albeit at a slower pace, and Pimco’s flagship Total Return Fund has lost its title as the world’s biggest bond mutual fund. “In asset management, the outflows from last year will burden the result in 2015,” Michael Diekmann told Allianz’s annual shareholder meeting on his last day as chief executive. He is being

replaced by Oliver Baete.

Reuters

## Low rates, strong dollar hurt Zurich profit

■ Zurich Insurance Group Ltd.’s chief financial officer said low investment yields could persist “for some time,” after flat returns and a strong dollar marred the

underwriter’s quarterly profit. Zurich reported a 6% decline in first-quarter operating profit as the Swiss franc fell sharply against the dollar. Net investment return for the quarter was unchanged at 1%. Gross written premiums at general insurance fell 5% to \$10.1 billion, but rose 5% on a local currency basis. Since the start of the year, the Swiss franc, in which Zurich writes its policies, has lost nearly 8% against the dollar, in which it

reports. Zurich’s combined ratio deteriorated to 96.7% during the quarter from 95.9% a year earlier. “Given that we’re such a large fixed-income investor, interest rates will be the most significant determinant of when we’ll see much higher yields, which means we’ll be in a low-yield environment, potentially for some time,” Chief Financial Officer George Quinn said on a call with reporters.

Reuters



**FLEXIBILITY. PROTECTION. COMMITMENT.**

At Sentry Insurance, we make a powerful promise to our customers – to be there when you need us most. As a mutual company, our business is built on long-term commitment to our customers, not short-term satisfaction of investors and analysts. We provide primary casualty solutions for workers compensation, general liability and auto coverages to a variety of business classes, including manufacturing, healthcare, retail/wholesale and professional and financial services. We have the expertise to help you develop an insurance program to fit your business’s unique risk management needs.

1-877-373-6879 • [sentry.com](http://sentry.com)

Products and safety services are underwritten, issued and/or administered by a member of the Sentry Insurance Group, Stevens Point, WI. For a complete listing of companies, visit [sentry.com](http://sentry.com). Policies, coverages, benefits and discounts are not available in all states. Certain restrictions apply. See policy for complete coverage details.



**SENTRY**  
INSURANCE

130113 04/08/14

# EMPLOYER BENEFITS GROUP KEEPING EYE ON SUPREME COURT

**Q** If the court were to strike down the IRS rules, millions of people receiving subsidies would lose them. Would there be an impact on employers as well?

**A** The impact would be mixed. On the one hand, some employers who do not offer coverage or offer unaffordable coverage would avoid most or all (Affordable Care Act) penalties, since the penalties only apply when an employee goes into an exchange, is eligible for a subsidy and uses the subsidy to purchase coverage. Since the employees would not be eligible for a subsidy in certain exchanges, no penalty on the employer would accrue.

On the other hand, for employers who may be looking long term to transition out of employer sponsorship, the viability of exchanges, or lack thereof, is a very important factor in that decision.

**Q** If the justices strike down the rules, is it likely the decision would be effective immediately?

**A** There were some clues during oral arguments that they would

## Q&A

delay the effective date, recognizing the chaos that would ensue.

If that decision is made by the court, they will find a way to defer the effective date, at least to next year.

**Q** If the rules were struck down, how would Congress respond?

**A** Republicans and Democrats have reasons to find a patch to enable the more than 7.5 million people who would lose subsidies to enable them to continue coverage.

Ironically, a calamitous decision like that could lay the groundwork

for a deal between Republicans and Democrats on making various changes to the ACA, including the continuation of some subsidies.

**Q** Alternatively, would you predict a rush by states to set up their own exchanges to ensure their eligible residents can continue to receive premium subsidies?

**A** Some of them would want to do that. It would be more difficult, though, to do that in some states, like Texas and Missouri, which have passed laws that explicitly prohibit their governors to work with the federal government to set up exchanges. I think, though, that some states and the Obama administration would try to be as flexible as possible, having states contract with the federal government to operate the exchange and deeming that to be a state-established exchange. We would see a variety of different responses from the different states.

**Q** If the court upholds the rule, could that decision lead to congressional agreements in other areas?



**JAMES KLEIN**

**AMERICAN BENEFITS COUNCIL**

which represents employers on a wide range of benefit issues, discussed the potential ramifications of the high court's upcoming ruling with *Business Insurance* Editor-at-Large Jerry Geisel. Edited excerpts follow.

Before its current term ends in June, the U.S. Supreme Court will hand down a ruling that will affect millions of U.S. residents: the legality of a portion of 2012 IRS rules that authorize federal health insurance premium subsidies to eligible lower-income individuals receiving coverage through the federal insurance exchange. James Klein, president of the American Benefits Council in Washington,

**A** The result would not be chaotic if the court upholds the subsidies. Neither, though, would we see the status quo. I think the Obama administration would react and say, "Look, twice there have been moves to invalidate the law, and they have failed."

Republicans will say, "We are very disappointed with this outcome. We need to use every procedural tool at our disposal to

repeal or make changes to the law." Either result will result in some significant legislative activity.

**Q** And what is your prediction as to how the court will rule?

**A** I predict a 5-4 ruling upholding the subsidies, with Justice Anthony Kennedy writing the decision.

## COMINGS & GOINGS

# UP CLOSE: JOHN DAVISON

**LONDON-BASED HEAD OF CLAIMS**  
Equinox Global Ltd.

**PREVIOUS POSITION:** London-based claims manager for Euler Hermes UK.

**LOOKING FORWARD TO:** Developing efficient in-house systems and building a claims function that strengthens and supports our customer relationships.

**GOALS FOR NEW POSITION:** Deliver a fast and efficient claims turnaround that increases our ability to write more whole turnover business, meaning cases with a higher volume of small credit limits. And help Equinox continue to grow.

**CHALLENGES FACING INDUSTRY:** There is a low penetration of credit insurance in the market because companies are skeptical about the product.

**INDUSTRY OUTLOOK:** Soft market despite recent influx of claims.

**FIRST INDUSTRY JOB:** I was a regional U.K. loss adjuster in trade credit (for Lloyd's of London).

**WHAT SURPRISED ME:** The flexibility of the Lloyd's



platform, especially the benefit customers obtain from the willingness of Lloyd's to share risks.

**OUTSIDE THE INDUSTRY, A DREAM JOB:** Air traffic controller.

**HOBBIES:** Golf and (reading and watching) science fiction.

**THING MOST PEOPLE DON'T KNOW ABOUT ME:** I was born in Texas.

**WHEN I RETIRE:** I want to use my astronomical telescope more.

**FAVORITE MEAL:** Anything Italian in a creamy sauce.

**FAVORITE BOOK:** "The Day of the Triffids" by John Wyndham.

**ON A SATURDAY AFTERNOON:** A round of golf or working in the garden.

**CAN'T-MISS TELEVISION SHOW:** "Stargate SG-1." (I'm keeping up the sci-fi theme.)

## Professional Moves & Promotions

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

### INSURERS

Lloyd's of London	Richard Magrath
Generali Global Corporate & Commercial	Bill Skapof
Novae Group P.L.C.	Hanne Wagner
CNA Financial Corp.	John Cox

### BROKERS

Arthur J. Gallagher & Co.	Stuart Reid
U.S. Risk Insurance Group Inc.	John Daum
JLT Specialty Insurance Services Inc.	John McNally
USI Insurance Services L.L.C.	Sophia Torielli

### REINSURERS

Capsicum Reinsurance Brokers L.L.P.	Alistair Lockhart-Smith
JLT Re North America Inc.	Alun Hansen

### OTHER PROVIDERS

Cambridge Consulting Group L.L.C.	Robert Mangiapane
Axio Global L.L.C.	Scott Kannry

*Business Insurance* would like to report on senior-level changes at commercial insurance companies and service providers. Please send news and photos of recently promoted, hired or appointed senior-level executives to: Shelby Livingston, *Business Insurance*, 150 N. Michigan Ave., Chicago, Ill. 60601-7524. [slivingston@businessinsurance.com](mailto:slivingston@businessinsurance.com).



## **Fireman's Fund** is now **Allianz Global Corporate & Specialty.**

A new name, a new logo and a bold new future. We've been a member of the Allianz family for 24 years. But now we're one company with Allianz Global Corporate & Specialty,<sup>®</sup> united under the Allianz brand, the #1 insurance brand in the world.\*

\* Brand Finance Global 500 Ranking, 2015

Together, we write over \$3 billion in premium in the US. Allianz is committed to using this powerful platform to build a world-class business of significant scale in the US market. That means more muscle, more tools and more expertise than ever to help you win and retain clients.

[www.agcs.allianz.com](http://www.agcs.allianz.com)

© 2015 Allianz Global Corporate & Specialty

**Allianz** 

EDITORIAL

## EEOC RULING COULD HURT EMPLOYERS

**T**he U.S. Supreme Court has issued what, at least at first glance, appears to be a Solomon-like ruling in a dispute involving the Equal Employment Opportunity Commission over the extent to which conciliation efforts before it files litigation are subsequently subject to judicial review.

But a closer examination of the ruling is disturbing.

The EEOC has held in *Mach Mining L.L.C. v. Equal Employment Opportunity Commission* that courts should rely only on “facial examination of certain EEOC documents,” according to the ruling. Mach Mining says a “far more intensive review” by the courts is required, which seems to make a lot of sense.

In its unanimous ruling, the high court says the EEOC must try to engage the employer in “some form of discussion” to remedy the allegedly discriminatory practice before filing litigation.

But “this relatively bare bones review allows the EEOC to exercise all the expansive discretion Title VII (of the Civil Rights Act of 1964) gives it to decide how to conduct conciliation efforts and when to end them,” says the ruling.

The EEOC has hailed the ruling as “great news” for discrimination victims. But as experts on the issue point out, this establishes a pretty low barrier for the EEOC to climb before it can file litigation, and at least potentially leaves the door open for the EEOC to make excessive demands before filing litigation, then claim it has met the necessary prerequisites.

Some experts have hypothesized that the intention of the Supreme Court’s ruling is to prevent a trial within a trial, or a “minitrial,” over the issue of conciliation efforts.

While an expedited judicial process is desirable, it nevertheless appears that the ruling gives the EEOC a relatively free hand when it comes to engaging in conciliation efforts.

Many observers hold out hope, however, that with the issue thrown back into the lower courts, they will hold the agency’s feet to the fire in terms of making sure any EEOC conciliation efforts are done in good faith.

While justice for discrimination victims is desirable, so is fairness to employers.

*Business Insurance* welcomes letters to the editor. The section is intended to be a forum for readers’ opinions and comments. We reserve the right to edit letters for clarity or space. We will not publish unsigned letters.

Please send your letters to:

Letters to the Editor, *Business Insurance*,  
150 N. Michigan Ave., Chicago, Ill. 60601-7524

Fax: 312-280-3174; email: [gsouter@businessinsurance.com](mailto:gsouter@businessinsurance.com)

SCHILLERSTROM



COMMENTARY

## INSURERS NEED EXIT STRATEGY FROM BANK-CENTRIC RULES

**C**ongress is starting to pay serious attention to the workings of the Financial Stability Oversight Council regarding its treatment of insurers, as was evident a few days ago when a Senate Banking Committee panel held a hearing on the subject.

That’s certainly to be welcomed. While it’s not as if Congress has been ignoring the work of the council, legislators of both parties now seem particularly interested in correcting what they — and insurers — see as flaws in the system.

As things stand now, the FSOC has the power to designate nonbank financial institutions, including insurers, as systemically important financial institutions, or SIFIs. SIFIs are subject to heightened regulatory oversight by the Board of Governors of the Federal Reserve, which could add to their costs of doing business and place them at a competitive disadvantage vis-a-vis their peers.

Thus far, only three insurers — American International Group Inc., MetLife Inc. and Prudential Financial Inc. — have received the SIFI designation. MetLife is actively fighting it. But there’s no guarantee that others won’t fall into the FSOC’s regulatory web as well.

Property/casualty and life insurers alike have argued since the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 created the council that they shouldn’t be subjected to what they regard as bank-centric regulations. The businesses of banks and insurers aren’t the same, they say. And during the Senate hearing, Securities, Insurance and Investment Subcommittee Chairman Mike Crapo, R-Idaho, said bluntly “Banking and insurance present different risk profiles.”



**MARK A. HOFMANN**  
SENIOR EDITOR

And, of course, insurers are already subject to state regulation. Subjecting them to dual regulation, particularly if one set of regulations appears better suited to banks than underwriters, doesn’t make much sense.

One of the biggest problems — and a rather Kafkaesque one at that — is that once a financial institution is designated a SIFI, there’s no clear way for it to

emerge from the designation. As insurers put it, there’s no “off-ramp.” Instead, an insurer with a SIFI designation is doomed to circle endlessly on the regulatory equivalent of the Washington Beltway.

To have an off-ramp, though, also means that the entity wanting to escape SIFI status needs to know how it became a SIFI in the first place. Like its international counterparts, the FSOC can be opaque. Once again, lawmakers and insurers alike have complained that the council has been insufficiently transparent, an assessment that was shared by a 2014 U.S. Government Accountability Office report.

“The lack of full transparency has resulted in questions about the process and may hinder accountability and public and market confidence in the process,” the GAO said.

The operations of the FSOC as regards insurance can certainly be improved. Fortunately, Congress appears quite willing to provide a roadmap with clearly marked off-ramps to reach that destination.

# Defined contribution health care pairs with self-insurance

New health care plan models brought about by the health care reform law are challenging employers to find options to rein in costs. Joseph Berardo Jr., CEO of health care services company MagnaCare, discusses how self-insuring health care and moving toward a defined contribution model can help curb spending.

**I**n the battle against rising health care costs, employers are seeking new ways to seize control over the cost and management of their health benefits. At the same time, health care reform has triggered a major shift from the employer-driven payer model to a model that involves and engages plan members.

Self-insurance is viewed by many as a key strategy for curbing rampant health care costs. This approach enables employers to exert a higher level of control over plan design than traditional fully insured plans typically allow.

In the past, large employers have been much more likely to self-insure. Faced with mandates to provide richer benefits with less cost-sharing, however, a growing number of small and midsize employers also have opted to self-insure. It is estimated that the average self-insured plan covers 300 to 400 employees and that 59% of U.S. companies self-insure part of their health care plan.

Furthermore, the availability of private exchanges has prompted employers to take strong interest in a defined contribution arrangement. In this model, employers give a set amount of money to employees, who then choose a health plan from participating payers on a private exchange. This industry change echoes similar moves over the past few decades from employer-managed retirement plans to employee-directed 401(k) plans.

Employers can take advantage of these strategies — and curb health care costs — by focusing on four key features of self-insured plans:

- Control over plan design
- Cost reduction
- Transparency
- Health consumerism

In the health care reform era, these factors are critical for long-term business sustainability.

## Control over plan design

Switching to a data-driven self-insured plan puts the power back into employers' hands. Besides having fewer requirements imposed on them by the federal health care law compared with fully insured plans, self-insured plans enable employers to access their own health population data, including prescription claims data. This allows them to understand plan health risk and gain insight into potentially catastrophic conditions in their employee population.

Based on population data, employers can identi-

fy high-cost, high-risk chronic conditions such as diabetes and cardiovascular disease, tweak plan designs and launch prevention campaigns to mitigate risk.

Targeting health issues that specific members can be identified under, rather than simply implementing a general health and wellness program, is essential for cost control. By partnering with health care service companies and provider groups, employers are taking advantage of deep discounts and giving employees greater access to coordinated care. Within this model, health care data analytics play an important role, providing information relevant to population health management, such as determining the chances of a relapse, the likelihood of noncompliance and the progression of chronic disease.

## Cost reduction

Self-insured employers pay for individual employee health claims out of cash flow rather than as a monthly fixed premium to a health insurer. Costs are based on actual health care services as they occur and only if they occur.

Self-insuring eliminates health insurer profit margins and risk charges. It also provides the kind of practical and economic advantages that curb costs, such as generating as much as 3% immediate savings by being exempt from the federal health care law's health insurance tax.

Many employers mitigate the financial risk of self-insurance by purchasing stop-loss insurance, which limits risk for specific and aggregate claims, and provides a crucial financial buffer when, for example, an employee is diagnosed with cancer.

Transparency of claims data is one of the biggest advantages of self-insured plans. Companies that partner with a health care services company can gain access to detailed medical claims and pharmacy costs — information that is vital for curbing costs and altering member behavioral patterns. Data analysis serves as the backbone of benefit strategies, including wellness, disease management and productivity programs, which can reap direct savings.

Health consumerism encourages patients to take ownership of their own health education and decision-making, with an emphasis on prevention of chronic disease. Defined contribution is the new frontier in this movement by further empowering employees to make decisions from a wider array

of choices, including options to pay higher premiums for richer benefits or lower premiums for higher-deductible plans.

As more employers lean toward defined contribution plans, they will have the opportunity to reduce health premiums by up to 50% in some markets. This model caps costs, and employers are able to eliminate a certain amount of benefits administration, which would be automated through the health care exchange.

Employers who want to make the change will need to fully understand how it will affect their bottom line, as well as how to best make the transition, design the plan and discern which of the available private exchanges best matches their needs. They should also understand how a defined contribution plan affects their employees. Education, communication and change management will be critical for success. Currently, about 150 million employees receive a defined contribution from a self-insured or commercial plan.

Like self-insuring, defined contribution arrangements enable employers to get a better handle on health care costs. Employees are given more insurance options and incentive to purchase less expensive, less comprehensive coverage, while employers benefit from predictable health care costs.

Down the road, private exchanges that preserve a self-insured group model may become a key strategy for employers that want to maintain some control and customization.

## Preparing for the new opportunity

The market is gaining a better understanding of self-insurance and how health benefits now revolve around the idea of ownership: Individuals have more choice, but also assume more responsibility for managing their own health benefits. This represents quite a shift over past decades' mindset where the employer played much more of a "parent role" and decisions were largely made for the employees.

Large employers self-insure to gain control over benefits and lower costs. Smaller businesses want these same advantages and also recognize that by self-insuring they can avoid new health care reform requirements, such as providing richer benefits, and pricing rules that could increase costs for groups of healthy workers.

At the same time, the concept of defined contribution through private exchanges is gaining ground as an effective way for employers to cap costs, and continue to offer benefits rather than setting employees adrift on the public insurance exchanges.

Ultimately, employers are seeking and finding new ways to stabilize rates, keep management of health care dollars in-house, gain the tools they need to help shape the health and wellness of their employees, and determine the future of their company.



Joseph Berardo Jr. is CEO of MagnaCare, an administrator of self-insured health plans for employers in New York and New Jersey. He can be reached at [jberardo@magnacare.com](mailto:jberardo@magnacare.com) and 212-867-3606.



AGRICULTURAL AVIATION  
AIRLINES  
AIRPORTS AND GOVERNMENT ENTITIES  
AVIATION PROPERTY  
BUSINESS AIRCRAFT / CORPORATE AVIATION  
COMMERCIAL AVIATION  
LIGHT AIRCRAFT / PLEASURE AND BUSINESS  
MANUFACTURED PRODUCTS  
WORKERS' COMPENSATION

## **Phoenix Aviation Managers, a subsidiary of Old Republic for the past 32 years, is now Old Republic Aerospace.**

With an unwavering commitment to our customers, we continue to develop new products and services and expand our capabilities.

We have earned a respected reputation in the aviation insurance market, and have a proven track record for delivering quality insurance products.

Today our name is changing, but our commitment to excellence is stronger than ever as we continue forward as Old Republic Aerospace.

For more information visit us at: [www.oldrepublicaerospace.com](http://www.oldrepublicaerospace.com)

Insurance contracts are underwritten and issued by: Old Republic Insurance Company, Pennsylvania Manufacturers' Association Insurance Company, Manufacturers Alliance Insurance Company, Pennsylvania Manufacturers Indemnity Company.

# SPECIAL REPORT

## RIMS Conference Report

RIMS celebrates award-winning risk managers

PAGE 18

Do your homework before buying cyber coverage

PAGE 20

Past presidents of RIMS reflect on varied careers

PAGE 21

Emerging exposures keep risk managers on their toes

PAGE 19

Uber uses insurance to keep moving

PAGE 20

Win C-suite support to integrate safety, risk management

PAGE 21

# RIMS embraces all things new



MICHAEL MARCOTTE

Risk managers looking for new innovations, new encounters and new knowledge were in “the right place,” RIMS President Richard Roberts, right, said in opening the event.



MICHAEL MARCOTTE

## Future of risk management, industry at heart of discussions at 2015 conference

BY MARK A. HOFMANN

**T**here was a decided emphasis on the new at the 2015 Risk & Insurance Management Society Inc. Annual Conference & Exhibition. As RIMS President Richard Roberts said in opening the event, risk managers looking for new innovations, new encounters and new knowledge were in “the right place.” Those three opportunities plus New Orleans, the site of this year’s event,

formed the theme of the conference.

But one part of the “new” that emerged in several forums dealt with the reality of a new workforce — both in attracting new workers and how to cultivate them.

Concern over drawing a new generation to the ranks of risk management was evident in a discussion during a breakfast recognizing the winners of *Business Insurance*’s 2015 Risk Manager of the Year® Risk

See RIMS next page

# RIMS awards recognize past, present, future of risk management

## Jones Lang's Ochenkowski takes Goodell award at annual conference

BY SARAH VEYSEY

The Risk & Insurance Management Society Inc. bestowed several awards during its annual conference in New Orleans, including the coveted Harry and Dorothy Goodell Award.

The Goodell Award, which is named for RIMS' first president and honors individuals who have furthered the goals of RIMS and the discipline of risk management, was presented to Janice Ochenkowski, international director of global risk management at Jones Lang LaSalle Inc. in Chicago.

During an awards luncheon, RIMS President Richard Roberts said Ms. Ochenkowski, who was the society's president in 2008, has advanced the goals of risk management and has been a role model for ethical behavior.

"It is truly humbling to be honored by my peers in this way," Ms. Ochenkowski said.

In conjunction with American International Group Inc., RIMS also honored three individuals who made significant contributions to the profession of risk management during the course of their careers by inducting them into its Risk Management Hall of Fame:

■ Reginald A. Pitchford, known as Reg, was the corporate risk manager at United Grain Growers Ltd. and was instrumental in maintaining the Manitoba, Canada, RIMS chapter known as MARIMS. He died in 2014 at the age of 92.

■ James D. Hinton, who retired as the vice president of risk and insurance at Hospital Corp. of America. Recognized as *Business Insurance's* Risk Manager of the Year® in 2005, Mr. Hinton died in 2012.

■ Gary E. Bird spent most of his career at mining firm Phelps Dodge Corp., where he served as director of risk management. He authored the first three editions of *The Wrap-Up Guide*, a series exploring strategies and best practices to manage liability policies designed to serve as all-encompassing insurance for all contractors and subcontractors. He died at the age

of 51 in the terrorist attacks of Sept. 11, 2001.

The Ron Judd Heart of RIMS Award, which honors an individual who keeps their chapter vibrant and relevant, was given to Victoria Nolan, risk and benefits manager at public water utility Clean Water Services and an active



MICHAEL MARCOTTE

Top from left: Donna K. Bird, Linda Hinton and Penny Pitchford accept the Risk Management Hall of Fame award on behalf of their late husbands. Goodell Award winner Janice Ochenkowski, left, of Jones Lang LaSalle in Chicago, was honored for contribution to risk management.



member of RIMS' Oregon chapter.

The Richard W. Bland Memorial Award, which recognizes a member's commitment in the area of legislation or regulation, was presented to Richard Rabs, immediate past chair of RIMS' external affairs committee.

The Cristy Award, which acknowledges the person who earns the highest marks on the three exams required to earn the Associate of Risk Management designation, was presented to Michael Grosso, risk analyst at Bimbo Bakeries USA.

RIMS this year introduced a new award, the Rising Star, to honor

professionals younger than 35 or with less than seven years of industry experience.

Saying it was impossible to select just one winner, Mr. Roberts said three people had been chosen as Rising Star winners.

They were Anna Bendgen, a risk management specialist at Sedgwick Claims Management Services Inc. in Memphis, Tennessee; Andrew Bent, a senior adviser for environmental health and safety risk at Suncor Energy Inc. in Calgary, Alberta; and Yelena Urcia, senior global insurance analyst at The AES Corp. in Arlington, Virginia.

## RIMS

Continued from previous page

Risk Management Honor Roll® awards programs.

The panel included three risk managers who have been honored as Risk Manager of the Year®. They were 2012 Risk Manager of the Year® John J. Marren, director of global risk and insurance management at Melbourne, Australia-based CSL Ltd. and its subsidiaries bioCSL and CSL Behring, based in King of Prussia, Pennsylvania; 2010 Risk Manager of the Year® Debbie Rodgers, senior vice president of global risk management at Philadelphia-based Aramark Corp.; and 2014 Risk Manager of the Year® William M. Zachry, vice president of risk management at Safeway Inc. in Pleasanton, California.

Looking out at the attendees, Ms. Rodgers said a greater effort needs to be made to include the next generation in such events.

"There's a lot of gray hair out there," Ms. Rodgers said. Without greater engagement of younger people, "there's going to be a terrible gap" in a short time.

"We need to make what we do relevant for a new generation," Mr. Marren said. "There's a lot of opportunity to do a lot of different things" in risk management.

The workforce for which risk management will compete differs in some respects from its predecessors, including the baby boomers, who are retiring at a rate of 10,000 a day, said Lester J. Morales, chief growth officer at Willis of North Carolina Inc. in Charlotte, during an educational session at RIMS.

He noted that by 2025, half of the U.S. workforce will consist of mil-

lennials, or those born between 1980 and 2000.

Millennials are the first generation that "was born in technology," Mr. Morales said. They didn't have

*"There's a lot of gray hair out there." Without greater engagement of younger people, "there's going to be a terrible gap" in a short time.*

Debbie Rodgers, Aramark Corp.

to adapt to it. They are confident about their future and are highly educated. They need attention and feedback, and like to collaborate, Mr. Morales said.

This has an effect on even the physical structure of the work-

place. For example, offices layouts can be designed to foster collaboration.

One employer that already is dealing with a millennial majority workforce is Columbus, Ohio-based Designer Shoe Warehouse Inc.

Jessica Ward, the retailer's benefits manager, said 72% of DSW's associates are millennials.

"Millennials care," she said. "They want their organization to care about them." They care about corporate culture and values, and some millennials will leave a job because of its culture, Ms. Ward said.

Making greater use of technology also emerged as an issue at this year's conference, which was attended by 10,037 people.

For example, during his opening remarks, Mr. Roberts said RIMS will launch a "virtual member engagement platform" later this

year on its website.

RIMS Executive Director Mary Roth said the new platform will be a "home run" on many levels.

Among other things, it will allow the organization to engage the next generation of risk professionals, said Mr. Roberts.

Ms. Roth stressed that the platform "connects great people with great ideas."

The launch of the platform also will further RIMS' growth internationally. Ms. Roth pointed out that RIMS currently has members in more than 60 countries. One country in which the society has expanded greatly is Australia, where membership has been growing rapidly, she said. This is reflected in the fact that a risk forum has again been slated to take place in Melbourne in August.

"We are truly a global society," Mr. Roberts said.

# Emerging risk management challenges require care, attention

Employers must adapt to address workplace violence, baby boomer retirements, multilingual workforce

BY JUDY GREENWALD

An employee's suicide might have been avoided had a co-worker promptly reported comments the employee made, a risk manager says.

Kathy L. Schroeder, senior director of global risk management at Boca Raton, Florida-based Office Depot Inc., said an employee at an undisclosed store told another worker near the end of day on a Friday that he would like to go home and return with a gun.

The other worker did not report the conversation that took place about six months ago to anyone. That weekend, the employee committed suicide.

"Could we have prevented it?" Mr. Schroeder asked. "If we would have known, we would at least have had a conversation with him. Maybe we could have gotten him some help and saved his life."

She discussed the incident during a session on emerging risks during the Risk & Insurance Management Society Inc.'s annual conference in New Orleans.

Other emerging risk management issues discussed during the session included the challenges created by mergers and acquisitions, the aging workforce and changing employee demographics.

To deal with workplace violence, Ms. Schroeder strongly recommended the short video "Run. Hide. Fight: Surviving an Active Shooter Event," which was funded by a grant from the U.S. Department of Homeland Security and produced by the Houston Mayor's Office of Public Safety and Homeland Security.

Ms. Schroeder also discussed the challenges involved in M&As.

Office Depot, which agreed to be acquired by Framingham, Massachusetts-based Staples Inc. in February, completed its own acquisition of Naperville, Illinois-based OfficeMax Inc. in 2013.

M&A challenges include combining insurance programs and risk management information systems, among other issues, Ms. Schroeder said.

In addition, "It's hard to keep people motivated right now. People are scared" about losing their jobs, she said.

## Baby boomer bust

Another issue facing companies is the aging work force. Baby boomers have been turning 65 at a rate of 10,000 a day for the past four years, and this will continue for the next 15 years, she said.

"What kind of impact is that going to have on the workforce?" she asked.

The workforce will be much smaller but more technology-savvy. These workers also are going to be demanding in that they

will want to telecommute and have flexible work hours. "They're going to want integration" of their personal and work lives, she said.

This means instead of working a 40-hour week and then going home, they will seek to take time off during the workday to attend a child's soccer game, then put in more hours later that night, Ms. Schroeder said.

Some corporations are slow to address this trend, she said.

A few companies are agreeing to provide unlimited paid time off, with the idea that "as long as you get the job done, it doesn't matter" how much vacation time is taken, Ms. Schroeder said. "It's going to be interesting" to watch this trend evolve, she added.

James Ryan, Marlton, New Jersey-based executive vice president of casualty operations at Sedgwick Claims Management Services Inc., cited dramatic demographic

changes in the workforce with the influx of some 1.5 million immigrants every year.

"It's something we frankly as an industry haven't done a lot about," but "we need as an industry to get in front of now," he said.

Mr. Ryan said this trend raises the issue of the poorer quality of health care available in predominantly nonwhite neighborhoods. In addition, pharmacies in such neighborhoods are less adequate-

ly supplied, and injured workers are much less likely to travel far to see a physician. "We need to do something about that if we want to improve outcomes," he said.

Businesses also need to acknowledge cultural differences, including how nonwhites perceive pain and how they react to treatment, Mr. Ryan said. "We need to do something different," such as providing access to multilingual physicians.

## RESILIENCE GETS BACK UP.

How your business recovers from a disruption has a lot to do with how it prepared for it. At FM Global, our goal is to make our clients resilient before, during and after an event. We're a commercial property insurer that offers the expertise of 1,800 engineers worldwide and a \$125 million research facility to ensure you overcome even the hardest of hits. Learn more at [fmglobal.com/resilience](http://fmglobal.com/resilience). **WHEN YOU'RE RESILIENT, YOU'RE IN BUSINESS.**



TYPHOON

YOUR FACTORY

©2013 FM Global. All rights reserved.



"It's been an education effort to explain to people how this all works,"

Gus Fuldner,  
Uber Technologies Inc.

MICHAEL MARCOTTE

# Uber gets insurers up to speed on coverage for ride-sharing service

## New insurance market opportunity attracts interest

BY MATTHEW LERNER

Online ride-sharing application Uber has grown from a fleet of 12 cars in one city to an international phenomenon with thousands of cars in 303 cities in 56 countries.

Along the way, Uber Technologies Inc. has had to solve numerous insurance challenges, some with the help of the industry.

"It's been an education effort to explain to people how this all works," said Gus Fuldner, head of insurance at San Francisco-based Uber, referring to both regulators and insurers.

He made his comments during the Risk & Insurance Management Society Inc.'s annual conference in New Orleans, where Uber made its latest service launch in mid-April.

Uber began in San Francisco in 2010 with Uber Black sedan service and expanded into lower-cost solutions with Uber X, as well as into larger vehicles with Uber XL and Uber SUV.

The company now fields "thousands of cars online at the same time" in New York throughout the five boroughs, covers 68% of the U.S. market by population and makes over 1 million trips a day worldwide, Mr. Fuldner said.

According to a study by Certify Inc., Uber accounted for 29% of all rides being expensed for business purposes in the U.S. during the first quarter of 2015, up from just

9% in the first quarter of 2014, Mr. Fuldner said.

"That certainly makes for an interesting set of tasks as a corporate risk manager for Uber," Mr. Fuldner said.

"I spend a lot of my time on public policy," he said of regulation and legislation.

Mr. Fuldner also has worked

*"Technology is changing the way we do a lot of things, specifically today around transportation, and you see there are a lot of entrants into the space that are trying to use technology to make transportation a better experience, a more efficient experience."*

Randy Nornes, Aon Risk Solutions

with insurers to establish mutually agreed-upon insurance coverage, including United Services Automobile Association, State Farm Mutual Automobile Insurance Co. and Allstate Corp. and has seen interest elsewhere.

"We're also seeing a lot of these big personal auto carriers start looking at ride-sharing market opportunities," he said. "They're

looking at this as a growth market, creating products specifically targeted" for the industry, he added, citing Geico and Metromile Inc., a smaller, pay-per-mile insurance company.

"I see carriers looking at this as a way to get additional premiums and product differentiation," Mr. Fuldner said.

Established rideshare coverage limits compare favorably with those required for taxis, he said.

In New York, for example, taxis are required to carry \$100,000 bodily injury coverage with a \$300,000 aggregate limit, compared with the \$1 million in combined single-limit third-party liability threshold set for rideshare applications in many jurisdictions.

Further, riders can actually see a copy of the policy maintained for drivers on the company's website, Mr. Fuldner said.

"Technology is changing the way we do a lot of things, specifically today around transportation, and you see there are a lot of entrants into the space that are trying to use technology to make transportation a better experience, a more efficient experience," said Randy Nornes, executive vice president at Aon Risk Solutions in Chicago, who moderated the discussion.

Other sharing business that technology has found its way into include the lodging industry's Airbnb and dog boarding website Rover.com, he said.

# Check the fine print on cyber coverage

Policy language varies widely

BY JUDY GREENWALD

Cyber insurance policies are a lot like snowflakes, a policyholder attorney says.

There are about 40 to 50 insurers that offer multiple products — all different — "and just a few words can make all the difference" whether or not a policyholder has excellent coverage, said Roberta D. Anderson, a partner at K&L Gates L.L.P. in Pittsburgh.

Ms. Anderson spoke during a session on advancements in cyber risk insurance late last month at the Risk & Insurance Management Society Inc.'s annual conference and exhibition in New Orleans.

While point-of-sale retailers, a category hit hard by cyber attacks, are seeing retentions and premiums increasing 100%, the premiums and negotiations for other industries are relatively unaffected, and coverage is getting broader, she said.

Ms. Anderson said policyholders should be sure their cyber coverage also applies to paper records and rogue employees, who often precipitate breaches.

Conduct exclusions applying to rogue employees in policies should be drawn "as narrowly as possible," she said.

Also, pay attention to sublimits, because a \$10 million primary policy is likely to have a \$2 million or \$5 million sublimit for regulatory actions, and policyholders want to make sure there is coverage available for fines and penalties to the extent permissible by law.

"Make sure the sublimit is sufficient," Ms. Anderson said.

When it comes to network interruption coverage, "The important question to ask is: Does it cover you for contingent business interruption? The insurance industry is concerned about aggregation risk" should there be a cloud-related event.

"It's very, very important to make sure that the contingent business interruption coverage is sufficiently broad" to cover for cloud failure, Ms. Anderson said.

She recommended using the cyber framework proposed by the Gaithersburg, Maryland-based National Institute of Standards and Technology.

The NIST framework "is a really good vehicle for companies to get a good handle on the current

state of cyber risk management," Ms. Anderson said.

Although the framework is directed at critical infrastructure and is voluntary, "I think it's going to become a de facto standard for risk management," she said.

Liability with respect to regulatory actions also is important because of increased scrutiny by regulators, Ms. Anderson said.

She noted that the U.S. Securities and Exchange Commission, the Federal Trade Commission and the Federal Communications Commission all have expressed interest in cyber breaches.

"One of the things the SEC is asking about, and asking a lot, is whether you have cyber insurance," Ms. Anderson said.

Before obtaining cyber insurance, risk managers should conduct a risk assessment, determine where the gaps in coverage exist, compare their various policies, find any shortcomings and "tailor the cyber policy to fill those gaps," said Timothy J. Flaherty, Pittsburgh-based manager of insurance risk management at Alcoa Inc., who also spoke during the session.

Face-to-face meetings with insurers are critical, and the topic of cyber exposures should be

introduced to senior management. "Keeping them involved is critical," Mr. Flaherty said of senior management.

Another key topic that risk managers should consider is the retroactive coverage date on their cyber policies, which can be obtained for as long as two years, he said.

Risk managers also should check with their corporate development team "to be sure if a potential acquisition is out there," Mr. Flaherty said. The issue is how the acquisition's policies and buying company's policies align, he said.

In addition, make sure the cyber insurance "fills the gaps for any other policies you have in your risk management programs," Mr. Flaherty said.

But negotiating cyber insurance can be a lengthy process, he said.

"This can be very protracted," he said. In Alcoa's case, he said, the company's first cyber policy, which was obtained a year ago, took eight months from the time its purchase was first considered to being bound, Mr. Flaherty said.



## HOW TO INTEGRATE RISK MANAGEMENT, SAFETY INTO CORPORATE CULTURE

BY STEPHANIE GOLDBERG

**M**aking risk management and safety a priority at any company begins with effectively communicating the benefits of having a risk-averse culture, and leading executives dictate the nature of that culture, experts say.

So it's important to get those executives on board to support all risk management and safety programs, said Jackie Kamstra, global environment, health and safety analyst at Beaverton, Oregon-based athletic shoe, apparel and accessory maker Nike Inc., which has about 60,000 employees worldwide.

Executives want to know how such programs can help grow the business, profit

and build the company's reputation, Ms. Kamstra said during a session last month at the Risk & Insurance Management Society Inc.'s conference in New Orleans.

The session on engaging an organization in risk management and safety focused on how risk professionals can tailor their messages to appeal to executives, managers and front-line employees.

"You may not generally profit, but you're certainly saving expenses when you have a strong safety program" by keeping employees at work and engaged, said Eva LaBonte, Nike's workers compensation program manager.

A top concern for executives is human capital, so risk professionals should emphasize that their programs lead to

healthy employees who are at work and productive, experts say.

"Risk management makes employees feel safe," Ms. LaBonte said. "If things happen, the rest of your risk management program is there to cover them. ... When you have a sense that your organization cares about you, then you're more engaged."

Meanwhile, middle management is concerned about how a risk management and safety program will fit with their other responsibilities, Ms. Kamstra said.

Show them how the program will "make their lives easier and better" since they're "curious about how it will save them time and energy," she said.

It shouldn't just be about injury rates,

"because a lack of accidents doesn't mean you're being safe," Ms. Kamstra said. "You can go for three years as middle managers and your programs can be doing great, but then a catastrophe can happen. So build those strong programs and get all of your employees engaged in safety."

While risk management and safety is "never" the focus of a company, it is "the foundation" and "the support behind what our company does," Ms. LaBonte said.

She added that people won't engage in a program if they don't feel it's important, which is why each message to executives, managers and front-line employees needs to address how risk management and safety specifically will benefit them.



MICHAEL MARCOTTE

As Louis J. Drapeau, president of RIMS in 1996-97 and now director of risk management at the University of Kentucky in Lexington, put it, his entry into risk management was "by accident as usual" without ever having spent a day working at a brokerage or insurer.

A panel of former presidents of the Risk & Insurance Management Society Inc. described their careers that included stints at brokerages, insurers and governmental agencies.

## Past RIMS presidents reflect on careers

Pathways to risk management vary with skills, opportunities

BY MARK A. HOFMANN

**N**o single factor determines risk management success, judging from the experiences of a panel of former presidents of the Risk & Insurance Management Society Inc.

Instead, it's a combination of skills and opportunities, the former presidents said during a discussion at RIMS' 2015 conference and exhibition in New Orleans late last month.

They also noted there's also no single path to becoming a risk management professional.

"None of us really planned to go

into risk management," said Christopher J. Mandel, who was RIMS president in 2002-03 and now is senior vice president of strategic solutions at Sedgwick Claims Management Services Inc. in Nashville, Tennessee.

As Louis J. Drapeau, president of RIMS in 1996-97 and director of risk management at the University of Kentucky in Lexington, put it, his entry into risk management was "by accident as usual" without ever having spent a day working at a brokerage or insurer.

Panelists described careers that included experience at brokerages, insurers and governmental

agencies.

Building support throughout an organization is key to risk management success, said Michael L. Liebowitz, RIMS president in 2006-07 and now senior director of insurance and risk management at New York University in New York.

### C-suite support

Risk managers need support from the top, said Mr. Liebowitz, who spent much of his career in health care risk management. But risk managers also need support from other levels of the organization to do their jobs. He said he

talked to nurses, facility personnel and security people to better understand the exposures he faced in his job.

Mr. Mandel said he never had the ideal mentor boss, so he reached outside for guidance.

Roger L. Andrews, president of RIMS in 2000-2001 and now Orem, Utah-based director of risk management at protective equipment maker E.D. Bullard Co., said there are multiple opportunities to develop mentors and professional sponsors. He cited being active in RIMS as an example.

Mr. Liebowitz said that includes being involved in local RIMS chap-

ters as well. He added that networking opportunities at the RIMS annual meeting are not confined to attending educational sessions, but also happen in the hallways.

When asked how to measure success in risk management, Mr. Andrews said "in one word: relationships."

John R. Phelps, 2013 RIMS president and director-business risk solutions at Blue Cross and Blue Shield of Florida in Jacksonville, said he measures success by doing something he enjoys that provides value to his employer. He also said being ethical and moral is part of being successful.

"I couldn't work for somebody I thought was cheating," Mr. Phelps said.

Mr. Mandel made much the same point: The single most significant trait as a leader is the perception of integrity, such as being a person who can be trusted, he said.

## Torus aviation coverage coming to the U.S.

Global specialty insurer Torus Insurance Holdings Ltd. has partnered with Seattle-based managing general agent London Aviation Underwriters Inc. to write general aviation insurance in the United States.

Coverage will be written through London-based Torus' U.S. admitted insurer, Torus National Insurance Co., Torus said in a statement.

London Aviation Underwriters writes general aviation risks as well as airport premises liability and nonowned aircraft liability, Torus said.

"While Torus has been a significant writer of aviation insurance globally, we have not historically had a significant general aviation presence in the United States," John Shettle, vice chairman of Torus and CEO of Torus' U.S. operations, said in the statement. "LAU has a strong reputation for underwriting, claims and policyholder service excellence."

## Mercer launches value-based suite

Mercer L.L.C. has launched a suite of online and mobile-based tools designed to help employers provide value-based health care to their employees.

The tools include a tablet application that identifies value-based care market "hot spots" — defined as local hospitals and physicians that participate in value-based payment models — and market profiles describing the specific opportunities and challenges of providing value-based health care benefits in particular geographic locations, Mercer said in a statement. An online assessment and action map designed to identify an employer's ideal strategy for implementing a value-based health benefits program is available as well.

The tools also include a guide to the value-based group health insurance designs offered by national insurers, along with request-for-proposal, program measurement and communications support resources.

## Tool for insurers evaluates buyers' cyber maturity

Cyber security software developer Cytegec has launched an assessment tool that enables insurers to determine the cyber security maturity of potential customers prior to writing policies.

Potential customers fill out a questionnaire that automatically feeds into the Cytegec Cyber Maturity Assessment, which translates the information into organizationwide maturity assessment metrics, Tel Aviv, Israel-based Cytegec said in a statement.

"Unlike simplified questionnaires, which provide little insight regarding overall maturity, Cytegec's frictionless, objective, and data-driven ratings of a company's cyber security maturity provides more accurate assessments," Cytegec CEO Shay Zandani said in the statement. "Cytegec's CyMA lets insurers con-

## PRODUCTS & SERVICES

### Drones cover takes flight at Lloyd's

\* Tokio Marine Kiln Group Ltd. will now offer coverage for unmanned aerial systems, or drones, in the Lloyd's of London market.

One Unmanned is available to drone operators, manufacturers and service providers, and offers multiple coverages under a single wording, London-based Tokio Marine Kiln said in a statement.

Customers first choose one or both of the core products, including unmanned aerial systems hull and liability and products liability, the insurer said. Customers may then choose to extend coverage to risks including aviation hull war or war liability, personal accident, cyber, intellectual property and employer liability, according to the statement.

According to a spokeswoman, the price and maximum limits vary based on the selected coverage and individual circumstances, and discounts are available for combined packages.

"From filming Hollywood blockbusters to surveying oil platforms and even loss adjusting, we have seen a dramatic increase in the commercial use of (drones), and the risk profiles of our clients are changing as a consequence," Jay Wigmore, the Tokio Marine Kiln aviation underwriter who developed the drone coverage, said in the statement.

duct multiple assessments with a measure of detail that allows them to offer cyber insurance policies to more customers at a more competitive price."

### Verisk report addresses nonmodeled risks

Verisk Analytics Inc.'s Verisk Insurance Solutions unit has developed an analytic report that helps insurance underwriters accurately determine the likelihood of fire incidents and a broad spectrum of nonmodeled weather events at specific locations.

The new Peril and Incident Report provides insurers with a historical record of reported fire and gas emergency incidents and nonmodeled weather events, analyzed and presented to help identify

the likelihood of a future adverse event, Verisk said in a statement.

Offered as part of Verisk's ProMetric commercial property data and analytics product, the report draws on data from Verisk Analytics' Verisk Climate business and provides details around events such as hail, wind, lightning and wildfire. It includes a trend indication for each of the events, historical occurrences down to the street level of the property for the past five years, the date of the last event, and a hail damage score that shows the probability that a damage-producing hail event affected the property in the past, according to the statement.

"The report provides additional insight by detailing prior documented incidents and scoring the likelihood of future weather-related events," said Anil Vasagiri, vice president of commercial property at Jersey City, New Jersey-based Verisk Insurance Solutions, in the statement. "Carriers can use this new information to better understand risks, align them with their underwriting guidelines, and prioritize inspections for those properties that have a history of incidents but did not result in a corresponding claim."

### Ryan Specialty launches property program

WKFC Underwriting Managers, part of Ryan Specialty Group L.L.C., has launched a nationwide property insurance program with wind coverage.

The property program, which offers limits of up to \$50 million and a minimum premium of \$5,000, includes property damage and business interruption coverage for habitational and commercial properties, WKFC President and CEO Michael Sillat said.

The insurance program covers risks up to \$500 million in total insured value, New York-based WKFC said in a statement.

Wind coverage, available for Tier 1 and Tier 2 counties, is also included in the program, with limits of up to \$50 million, according to the WKFC statement. Tier 1 addresses counties bordering the coast, while Tier 2 addresses counties a step beyond those closest to the coast, Mr. Sillat said.

### Endorsement targets infectious disease losses

Ironshore Inc.'s specialty health care insurer, IronHealth, will offer an endorsement on excess policies for emerging infectious disease business interruption coverage.

The drop-down coverage, which was designed for health care facilities, will provide additional limits of up to \$3 million above the underlying policy limit, Hamilton, Bermuda-based Ironshore said in a statement.

The coverage will reimburse hospitals, health systems, long-term care facilities and group physician practices for business income losses resulting from an infectious disease event such as Ebola, HIV/AIDS, influenza A or Legionella in their facility, Ironshore said.

## DEALS & MOVES

### Boston broker expands into higher education benefits

Risk Strategies Co. has acquired Chicago-based employee benefits broker Northwest Comprehensive Inc. A spokeswoman for Boston-based Risk Strategies declined to comment on the terms of the deal.

Northwest Comprehensive, which specializes in providing employee benefits for higher education institutions, will be integrated into Risk Strategies' existing Chicago office, Risk Strategies said in a statement.

Northwest Comprehensive will retain its name and John Cerasani, its president and founder, will continue to manage the business while also assuming the role of Risk Strategies' Midwest employee benefits practice leader, according to the statement.

### Hub International buys Oklahoma brokerage

Hub International Midwest Ltd., part of Chicago-based Hub International Ltd., has acquired Tulsa, Oklahoma-based property/casualty and employee benefits brokerage The Holmes Organisation.

Terms of the deal were not disclosed.

The acquisition expands Hub Midwest's operations in Oklahoma and Arkansas, Hub International said in a statement. Holmes will continue to operate from its existing offices in Tulsa and Little Rock, Arkansas, and will become part of Hub Midwest.

Stuart F. DeSelms, Tulsa-based president of Holmes, will join Hub Midwest as executive vice president and chief sales officer, reporting to Trey Biggs, president and CEO of Hub Midwest's Oklahoma operations.

### Arthur J. Gallagher acquires Kansas City HR consultant

Arthur J. Gallagher & Co. has acquired Integrated Healthcare Strategies, a Kansas City, Missouri-based human resources consultant.

Terms of the transaction were not disclosed.

Integrated Healthcare provides workforce management, compensation, governance, physician relations, mergers and acquisitions, and employee engagement consulting services to health care clients.

Integrated Healthcare Chairman and CEO Bob Erra and the firm's 100 employees will continue to operate in their current locations under the direction of William Ziebell, Gallagher's head of employee benefits consulting and brokerage in the North Central region.

### Assurant to sell money-losing health insurance operations

Insurance giant Assurant Inc. is looking to sell its health insurance division, Assurant Health, a company that has been active on the health care act exchanges but has hemorrhaged tens of millions of dollars.

Assurant Health covers roughly 1 million people and had \$2 billion of premium revenue last year. It is expected to lose between \$80 million and \$90 million in the first quarter of this year, Assurant said, adding that regardless if a buyer is found, it will pull out of the health insurance marketplace by 2016.

Modern Healthcare



# WE WANT INFLUENCERS AND DECISION MAKERS IN RISK MANAGEMENT TO SIT AT OUR TABLE

*Business Insurance* is putting together an exclusive online group of influencers and decision makers in risk management and commercial insurance. Apply for membership to our *Business Insurance Risk Management Insights Panel*. Members provide thoughts, opinions and preferences on a variety of risk management topics. Active participants receive:

- 1-year e-subscription to *Business Insurance*
- 1-year subscription to Risk Management e-newsletter
- 1-year subscription to *Business Insurance* data center
- 1-year free access to directories and white papers
- Chances to win prizes throughout the year, including an annual grand prize of a \$2,500 American Express Gift Card

Apply for membership  
today at [www.BIRiskInsight.com](http://www.BIRiskInsight.com)

Risk Management  
Insights Panel



BUSINESS INSURANCE.

# 40 UNDER 40

BROKER AWARDS 2015  
BUSINESS INSURANCE

**NOMINATIONS OPEN**

## Who are your broker superstars?



**THEY WOULD WEAR CAPES (IF IT DIDN'T VIOLATE COMPANY DRESS CODE).**

*Business Insurance's* 40 Under 40 Broker Awards program honors the top insurance brokers under the age of 40 across the United States. Honorees are recognized for their leadership, client service skills and expertise in the retail commercial insurance brokerage industry.

Winners are announced online in August and their profiles published in the October 12, 2015, issue of *Business Insurance*. The program culminates with a recognition events in New York (Northeast), Chicago (Midwest), Atlanta (South) and Los Angeles (West).

For more information about the nomination process, contact Gavin Souter, editor of *Business Insurance* at [gsouter@businessinsurance.com](mailto:gsouter@businessinsurance.com) or 312-649-5482.

Deadline to submit nominations is Monday, June 15 at 11:59 p.m. EDT.

# CLASSIFIEDS

To place your ad, contact Pegeen Prichard at [pprichard@businessinsurance.com](mailto:pprichard@businessinsurance.com)  
Business Insurance, Classified Department, 150 N. Michigan Ave., Chicago, IL 60601  
Call 312-649-5446 for details on print and internet advertising.

## PUBLIC NOTICES

**46,000+**  
people are  
looking at this

Reach top risk  
and benefits leaders  
for under \$1000

CONTACT:  
Pegeen Prichard  
312.649.5446

### BENEFIT STATEMENTS

BENEFITS  
SHOULD MAKE A  
**STATEMENT!**



866.440.4402

Our professional communicators  
and extensive production resources,  
assure accurate personalized  
information for each employee:

- Customized designs
- Always accurate and on time
- Highly competitive pricing
- Strong IT support

info@aboutyourbenefits.com  
www.aboutyourbenefits.com

### REQUEST FOR PROPOSAL

GOVERNMENT OF GUAM  
HUMAN RESOURCES DIVISION  
DEPARTMENT OF ADMINISTRATION

REQUEST FOR PROPOSAL (RFP)  
(DOA/HRD - RFP - GHI - 16-001)

**FY2016 Group Health  
Insurance Program**

The Government of Guam is accepting proposals from interested and qualified health insurance companies licensed under the applicable Guam laws, to provide health insurance coverage for eligible government of Guam active employees, retired employees, survivors of retired employees and their dependents.

The RFP will be available on the Department of Administration, Human Resources Division's website at [www.hr.doa.guam.gov](http://www.hr.doa.guam.gov) on **Friday, May 15, 2015, Chamorro standard time, at no charge.**

All questions regarding this RFP must be submitted in writing and received by the Director of the Department of Administration, as identified in the RFP, on or before **4:00 p.m., Monday, May 25, 2015, Chamorro standard time.**

**All hard copies and electronic files of the entire proposal must be received by the Director of the Department of Administration no later than 4:00 p.m., Tuesday, June 16, 2015, Chamorro standard time.**

Should you have any questions regarding this RFP, please call the Human Resources Division, Department of Administration at (671) 475-1179/1296.

/s/

**Anthony C. Biaz, Acting Director  
Department of Administration**

For 2015 BI Rates or Editorial Calendar call  
Pegeen Prichard at 312.649.5446 or  
[pprichard@businessinsurance.com](mailto:pprichard@businessinsurance.com)

### LEGAL NOTICE

#### NOTICE

TO THE POLICYHOLDERS, CLAIMANTS, CREDITORS AND ALL OTHER PERSONS INTERESTED IN THE AFFAIRS OF LEGION INSURANCE COMPANY (IN LIQUIDATION) AND VILLANOVA INSURANCE COMPANY (IN LIQUIDATION) NOTICE IS HEREBY GIVEN THAT: Legion Insurance Company (In Liquidation) ("Legion") and Villanova Insurance Company (In Liquidation) ("Villanova") were placed into Liquidation by Orders of the Commonwealth Court of Pennsylvania, dated July 25, 2003, effective July 28, 2003 (the "Liquidation Orders"). The Liquidation Orders appointed the Insurance Commissioner of the Commonwealth of Pennsylvania as statutory Liquidator of Legion and Villanova and vested her and her successors with title to all the property, assets, contracts and rights of action of Legion and Villanova. On February 19, 2015, the Liquidator filed in the Commonwealth Court of Pennsylvania Applications to Establish a Claims Bar Date for Legion and Villanova. On April 29, 2015, the Commonwealth Court entered Orders granting the Applications and setting a Claims Bar Date of July 28 2015. Therefore, all persons who may have a claim against Legion or Villanova, against the Liquidator, her agents or representatives, or in any way affecting or seeking to affect any of the assets of Legion or Villanova, wherever or however such assets may be owned or held, directly or indirectly, whether that claim is reduced to judgment, liquidated, unliquidated, fixed, matured, disputed, undisputed, legal, equitable, secured, or unsecured, must file a Proof of Claim by the Claims Bar Date of July 28 2015, or the claim will be forever barred. You may obtain a copy of the Order and Proof of Claim form at [www.legioninsurance.com](http://www.legioninsurance.com), or by writing to Legion Insurance Company (In Liquidation), or Villanova Insurance Company (In Liquidation), P.O. Box 58160, Philadelphia, PA 19102-8160, or calling Legion or Villanova at (215) 979-7879.

### LEGAL NOTICE

IN THE MATTER OF THE LIQUIDATION OF  
MIDLAND INSURANCE COMPANY  
Supreme Court of the State of New York  
New York County, IAS Part 21  
Index No. 41294/86  
NOTICE

By order dated April 3, 1986 ("Liquidation Order"), the Supreme Court of the State of New York, County of New York ("Supervising Court") placed Midland Insurance Company ("Midland") into liquidation ("Liquidation Proceeding") and appointed the then-Superintendent of Insurance of the State of New York (and his successors in office), as liquidator ("Liquidator"). The Superintendent of Financial Services of the State of New York has now succeeded the Superintendent of Insurance as Liquidator of Midland. The Liquidator carries out his duties through the New York Liquidation Bureau, ("NYLB"), 110 William Street, New York, New York 10038.

The Supervising Court signed an order to show cause on February 9, 2015, submitted by the Liquidator, with supporting papers ("OTSC"), seeking, among other things, an order establishing a December 31, 2015 deadline applicable to Undetermined POC (Proof of Claim) Claimants, as defined in the OTSC. The OTSC provided all Undetermined POC Claimants, remaining Midland reinsurers and triggered state guaranty funds with the opportunity to be heard on the OTSC, a copy of which, along with supporting papers, is available on the NYLB website at <http://www.nylb.org>. No Undetermined POC Claimant or any other party submitted any opposition to the relief sought in the OTSC.

PLEASE TAKE NOTICE, that the Supervising Court issued an Order, dated April 24, 2015 and entered on April 30, 2015 ("2015 Order"), establishing December 31, 2015, as the last date by which an Undetermined POC Claimant may submit to the Liquidator a Claim Amendment, as defined in the Midland decision and order, entered on July 1, 2011 ("Bar Date Order"), that was capable of having been submitted by the January 31, 2012 deadline established in the Bar Date Order, and any proof in support of the allowance of the claim of an Undetermined POC Claimant that was capable of having been submitted by the January 31, 2013 deadline established in the Bar Date Order. The 2015 Order and the Bar Date Order are available to be viewed on the NYLB website.

The 2015 Order further provides, among other things, as follows:

The 2015 Order does not amend, modify or supersede the Bar Date Order, except to the extent that it provides Undetermined POC Claimants with the opportunity to submit Claim Amendments and proofs by the December 31, 2015 deadline.

Any such Claim Amendments and proofs shall be submitted to the Liquidator in writing either electronically on or before the December 31, 2015 deadline, or by first-class mail, postage paid and postmarked on or before the December 31, 2015 deadline, or by overnight courier service, fees paid and with written acknowledgement of receipt by such courier on or before the December 31, 2015 deadline, addressed to:

If submitted electronically: [midland@nylb.org](mailto:midland@nylb.org)  
If submitted by first-class mail or overnight service: Superintendent of Financial Services of the State of New York as Liquidator of Midland Insurance Company, 110 William Street, 16th Floor, New York, NY 10038-3889, Attn: Gail Pierce-Siponen, Director, Creditor and Ancillary Operations

The Liquidator shall not consider any submissions by the Undetermined POC Claimants after the December 31, 2015 deadline.

If the Liquidator determines that a Claim Amendment submitted in accordance with the 2015 Order does not amend an undetermined, timely-filed (or deemed filed) proof of claim, the Claim Amendment shall be deemed a proof of claim filed after April 3, 1987. If the Liquidator allows that claim, that claim shall fall under Class Seven in priority of the distribution of assets, unless such claim should fall under Class Eight or Class Nine of the distribution scheme set forth in Insurance Law Section 7434.

The Liquidator's determination that a Claim Amendment submitted in accordance with the 2015 Order does not amend an undetermined, timely-filed (or deemed filed) proof of claim may be challenged before the Special Referee appointed to hear and report on written objections to claims recommended for disallowance in accordance with existing procedures adopted for the Midland estate.

The Liquidator shall recommend allowance or disallowance of the amended claims, if any, of Undetermined POC Claimants as promptly as possible after December 31, 2015, by issuing Notices of Determination ("NODs") in accordance with the adjudication procedures adopted for the Midland estate.

Any objections to the NODs or any other disputes arising from Claim Amendments or submissions of proof in support of allowances by Undetermined POC Claimants shall be referred to the court-appointed Special Referee to be heard in accordance with existing procedures adopted for the Midland estate. Further information may be obtained at the NYLB website or by calling (212) 341-6795 (direct claims and state guaranty fund inquiries) or (212) 341-6459 (reinsurance inquiries).

Dated: May 4, 2015, BENJAMIN M. LAWSKY, Superintendent of Financial Services of the State of New York as Liquidator of Midland Insurance Company.

## LADY LIBERTY HOSTS THE BIGGEST CELEBRATION OF WOMEN IN RISK MANAGEMENT

Nominations are now open for the  
10th anniversary of Women To Watch  
presented by *Business Insurance*.

We're spotlighting a decade of women  
who are doing outstanding work in  
commercial insurance, reinsurance,  
risk management, employee benefits  
and related fields.

To nominate someone, visit  
[businessinsurance.com/womentowatch](http://businessinsurance.com/womentowatch)



**2015  
WOMEN  
TO WATCH  
BUSINESS INSURANCE.**  
December 14-15  
Grand Hyatt New York  
Park Avenue @ Grand Central

**BI** EVENTS

To sponsor event:  
Kimberly Jackson  
[kjackson@businessinsurance.com](mailto:kjackson@businessinsurance.com)  
978.317.5032

To speak at event:  
Joanne Wojcik  
[jwojcik@businessinsurance.com](mailto:jwojcik@businessinsurance.com)  
303.278.7444

For event information:  
Julie Ford  
[jford@businessinsurance.com](mailto:jford@businessinsurance.com)  
312.649.5441

**BUSINESS INSURANCE®**

# ELECTRIC

Continued from page 4

More broadly, the agency is citing failure to abide by industry consensus standards, such as Section 70E of the National Fire Protection Association's National Electrical Code, in enforcement actions against companies in all sectors, experts say. Companies can face OSHA penalties of \$7,000 for each serious violation and \$70,000 for a repeated or willful violation.

Tim Healey, Hartford, Connecticut-based director of safety at the Hartford Steam Boiler Inspection & Insurance Co., said OSHA's embrace of the consensus standards tacitly acknowledges that the public rule-making process has become so lengthy that the rules

can quickly become obsolete. He said industry standards are more readily adaptable to evolving risks.

"OSHA has been consciously trying to do more with regulations, by having them more up-to-date and not going through the traditional public rule-making process, but rather taking advantage of industry-drawn and proven consensus standards," Mr. Healey said. "Employers will now look at these consensus standards as both best practices as well as something they will have in case they have to deal with OSHA."

Titled "Electrical Safety in the Workplace," Section 70E lists actions employers can take to minimize the risk of working with live electrical equipment. The steps include creating a safety program with defined responsibilities, calculating arc flash hazards for rele-

vant equipment, providing appropriate personal protective equipment to employees, training workers on arc flash hazards and safe work practices, and labeling equipment that poses an arc flash risk.

Mr. Brenner said the need to educate workers is especially true about arc flash, a sudden explosion of electricity that can reach up to 35,000 degrees Fahrenheit and inflict often-lethal injuries to anyone within several feet.

"Arc flash is just now being understood," Mr. Brenner said. "It's only recently that we've been able to slow down the video enough to realize what's really happening."

Aaron C. Mans, Columbus, Ohio-based owner of consultant Arc Flash Solutions Inc., said safety professionals are just beginning to digest the risk posed by arc flash.

"It's been a relatively short peri-

od of time that we have truly known about the implications of arc flash and how we might mitigate it and protect people who might be in harm's way," he said.

Foremost is ensuring that people who work with live electrical equipment have the proper gear, such as rubber gloves, shoes, visors, fire-resistant shirts and pants, and even full-body suits.

"A safety manager needs to assess what (personal protective equipment) is necessary for qualified individuals, and then spend time training those individuals," said Chuck Fox, Madison, Wisconsin-based principal at ASG Electric L.L.C., an arc flash consultancy. "Despite the tremendous power, most arc flash incidents are less than a tenth of a second. One of the reasons that personal protective gear is so effective is because it doesn't have to work that long."

Nonetheless, getting workers to wear flame-resistant protective gear can be a challenge, especially in warm climate, said Mike Hyland, Arlington, Virginia-based senior vice president of engineering services at the American Public Power Association.

"A few years ago, if you tried to make a lineman wear FR clothing in summer in Louisiana, you might kill him," Mr. Hyland said. "However, the materials and types of threads used to make flame-resistant clothing have gotten better and better. They are now lighter, but still hold up well to arc flash."

Dennis L. Mater, Richmond, Virginia-based thermal apparel sales technical leader for North America at DuPont Protection Technologies, a unit of DuPont, said one of its fire-resistant materials, Nomex, was designed with wearer comfort in mind.

"Protecting a worker from one hazard at the risk of introducing another hazard is not acceptable," Mr. Mater said.

Given the protective gear advances, Mr. Hyland said many companies in the utility industry have adopted policies that exceed safety regulations.

"We do not let workers into the cradle of the boom truck unless they put their gloves on, and we don't let workers start to climb a pole unless they put their gloves on," Mr. Mater said.

# VIOLENCE

Continued from page 6

bring it to some type of resolution."

While Mr. Riesinger said West End takes a proactive approach to workplace violence prevention, Messrs. Wilkes and Sem said at least half of employers that contact them for guidance do so only following an incident.

Mr. Sem recommends putting together a "threat management team," including representatives from human resources, security, safety, legal and risk management. The team can help mitigate or prevent such events, he said.

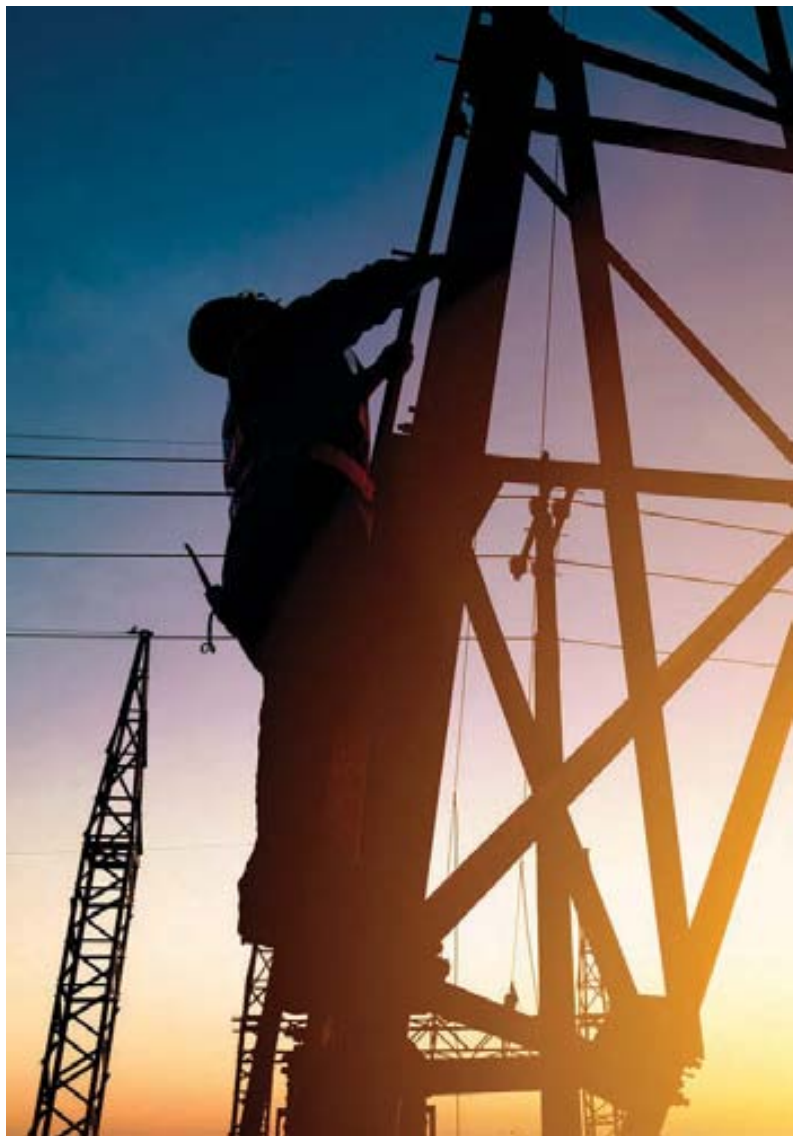
"Oftentimes, there's a moment," such as a termination of employment or a refusal of service, "that can set a person off," Mr. Sem said. "You need to consider how you're going to present that safely. Most organizations do that ... without any formalized mitigation process."

Another best practice for employers is communication, sources said.

"If you look at these active shooter events in schools or in businesses, a lot of times other people know about them before they even occurred," Sgt. Kuyper said. "We talk to business managers and owners about having an open communication plan with their employees" and suggest they ask if there's "something they need to know that puts their employee, or other employees, at risk of an event."

For West End employees, communication and "good listening skills are mandatory ... because if you don't hear exactly what's being said, simply answering that question incorrectly could escalate" an incident, Mr. Riesinger said.

Every workplace violence situation is different, Mr. Sem said, so whatever the best response is, employers need to communicate it to their workers in real time and tell them how to stay safe.



## ARC FLASH

### CAUSES

- Dust, corrosion or condensation on electrical equipment
- Accidentally touching wires or dropping a metal tool
- Faulty installation or failure of electrical equipment

### DANGERS

- Severe, sometimes fatal burns
- Flying objects, including molten metal
- Up to 2,000 pounds per square foot blast pressure
- Sound blasts as loud as a gun
- Setting the building on fire

Source: Workplace Safety Awareness Council

# IPO

Continued from page 6

subject to the vagaries of the stock market," said Brendan Dolan, Los Angeles-based managing director and part of the management and professional risk group at Crystal & Company.

"You never can completely eliminate the risk of IPO-related securities claims, so it is critical for any company whatsoever that is conducting an offering to make sure that it has strong protections like strong D&O insurance in place," said Carl E. Metzger, a partner at Goodwin Procter L.L.P. in Boston.

Meanwhile, a recent registration statement-related ruling by the U.S. Supreme Court is not expected to have a dramatic effect on the IPO market. In its March 24 ruling in *Omnicare Inc. v. Laborers District Council Construction Industry Pension Fund et al.*, the high court held that under Section 11, a statement of opinion in a registration statement may be incorrect but does not necessarily create liability if it was "sincerely held."

The ruling's bottom line is that statements made based on honestly held beliefs and developed from relevant and reasonable data points "can be wrong without having Section 11 liability," said Priya Cherian Huskins, a partner and

senior vice president at broker Woodruff-Sawyer & Co. in San Francisco.

Observers say the ruling was in line with many circuits' rulings on this issue.

The ruling's impact "will largely be neutral," said Steve Boughal, New York-based vice president and chief underwriting officer of Hartford Financial Products, a unit of The Hartford Financial Services Group Inc.

The bigger impact on litigation will be how stocks perform, said Rob Yellen, New York-based executive vice president of Finex North America, a unit of Willis Group Holdings P.L.C.

Generally, D&O insurers wel-

come IPO business.

"The underwriters see it as a good opportunity," said Peter Taffae, managing director at Los Angeles-based Executive Perils Insurance Services. "The severity of claims is down, and the frequency is down," he said, adding that this could be a reflection of the slower IPO market in 2011 and 2012.

However, life sciences companies such as pharmaceutical and biotechnology firms have more trouble lining up coverage.

"It's extremely difficult for them to find a primary carrier at a reasonable price and fair terms," Mr. Dolan said. "They need to be very proactive in telling their story to

D&O underwriters to secure best terms for the capacity they require."

"Many of these companies are one-product owners," and if they do not, for example, get U.S. Food and Drug Administration approval for their product, "their stock is going to tank, and the question is, 'What did they know?'" and when such information should have been disclosed, Mr. Monteleone said.

Some experts say it is not uncommon for life sciences companies to be able to obtain only \$5 million primary coverage, then have to build additional coverage in \$5 million segments through excess layers.

# MEDICARE

Continued from page 3

beneficiary's medical care can appeal the amount of reimbursement due or the existence of a debt to Medicare, according to a CMS statement posted online in April.

Implementing the appeals process was an important step to help ease the burden of Medicare Secondary Payer rules for claims payers, said Michele Adams, co-chairwoman of the Washington-based Medicare Advocacy Recovery Coalition and vice president of risk management services at Walt Disney World Resort in Orlando, Florida.

"First, we hope that CMS, knowing there is a right of appeal, will be more deliberate and careful in its calculations and demands," Ms. Adams said in a statement to *Business Insurance*. "Second, as a fundamental right of due process, having an appeal right is imperative."

Before the appeals process enacted last month, payers had no formal right to appeal the amount or existence of CMS reimbursement demands, though beneficiaries can challenge such demands if CMS seeks reimbursement directly

from them.

Claims payers typically have more resources and may be more successful in challenging CMS reimbursement demands than beneficiaries, said Russell Whittle, vice president of Medicare Secondary Payer compliance with claims management firm ExamWorks Clinical Solutions in Lawrenceville, Georgia.

"They have billing and coding expertise that would give them, I think, an advantage in questioning a recovery amount, maybe more than a beneficiary would otherwise have," Mr. Whittle said.

Payers cannot use the appeals process to contest whether they are the correct party from which to seek reimbursement. "Requests for appeal on the basis that the applicable plan is not the correct debtor will therefore be dismissed," CMS said in a statement.

However, sources say it likely will be possible to challenge whether a payer is the correct reimbursement party after receiving a Medicare lien but before entering the formal appeals process.

Michelle Allan, a partner with the Medicare compliance group at Burns White L.L.C. in Pittsburgh, said the law firm has successfully challenged Medicare liens by rais-

ing disputes with contractors that collect reimbursements on behalf of CMS.

While Ms. Allan believes the formal appeals process will provide more clarity about which parties are responsible to repay Medicare liens and how to dispute those debts, she also expects the rules will allow CMS to be stricter in considering lien challenges.

"We asked for a formal process and they're giving a formal process, and along with the formal process comes formality," Ms. Allan said.

Payers will need to weigh whether an appeal would save money overall, said Greg McKenna, co-chairman of the MARC Coalition and vice president and counsel for governmental affairs with Itasca, Illinois-based third-party administrator Gallagher Bassett Services Inc.

"You are talking about an investment of attorney time and time on the file to bring it to closure," he said. "So you're going to have to go into a bit of a cost/benefit analysis to see if it makes sense."

Sedgwick's Mr. Merlino agreed that claims payers will need to determine whether a Medicare lien is large enough to justify defense costs related to appealing the debt.

Conditions under which someone would appeal include when "you know you're right, there's a lot of money in controversy and CMS is being stubborn and not agreeing to reduce this very large conditional payment down to something that makes sense," Mr. Merlino said. "If a lot of money is not in jeopardy, the analysis is going to come out and say, 'We might as well just pay it.'"

ExamWorks' Mr. Whittle said CMS can charge interest for outstanding Medicare debts upheld on appeal. He suggests companies pay Medicare reimbursements that are undisputed and challenge apparently incorrect lien amounts.

"I think the smart suggestion here is if there is a part of that debt that's not at issue, that it be paid to stop that interest clock," he said. CMS "will allow you to do that."

Burns White's Ms. Allan encourages payers to be "vigilant" in following CMS appeal timelines and use strategic terminology in any communications.

"Don't use the word 'appeal' if it's only a dispute prior to an initial determination letter (from CMS), because you may have waived your right to an appeal at a later time," she said. "It's going to be much more technical going forward."

# FSOC

Continued from page 3

Warner, D-Va.

Insurance industry observers were impressed with what they heard.

There is a "clear interest" in greater transparency and the establishment of a clear off-ramp, said David Snyder, a Washington-based vice president at the Property Casualty Insurers Association of America. "I think there's growing interest in Congress."

A "real strong foundation supports the state-based system" of insurance regulation, he added.

"I think there is renewed interest in revisiting FSOC and transparency and accountability surrounding the SIFI process," said J. Stephen Zieleski, senior vice president and general counsel of the American Insurance Association in Washington.

He added, though, that he doubted "there will be significant FSOC or Dodd-Frank reforms happening this year, but there is real interest in the designation process."

Devising a rule to allow insurers to remove the SIFI designa-

# QUAKE

Continued from page 3

"While the level of damage and casualties was enormous, the seismological magnitude of the event in the Indo Nepal region was not unexpected," said Adityam Krovvidi, head of Impact Forecasting for Asia Pacific in Singapore.

Scientists have warned there could be major quakes caused by the "central seismic gap" that has existed in the Himalayan fault system since the magnitude 8.0 Nepal

## COSTLIEST QUAKES

The five costliest earthquakes and tsunamis, in terms of insured losses, since 1980

Year	Location	Losses
2011	Fukushima, Japan	\$40.00 billion
2011	Canterbury, New Zealand	\$16.50 billion
1994	Northridge, California	\$15.30 billion
2010	Concepcion, Chile	\$8.00 billion
2010	Canterbury, New Zealand	\$7.40 billion

Source: Munich Reinsurance Co.'s NatCat Service

Bihar earthquake in 1934 that killed up to 12,000 people, he said.

"Unfortunately, for the earthquake peril, timing is always the greatest unknown factor," he said.

"The vulnerability of buildings and structures in Nepal posed a significant risk given the absence of good seismic code history and implementation practice."

"A new disaster management act has not yet been implemented because of ... political stalemate and lack of government process," Axco said in its analysis.

The earthquake underlines the fact that disaster preparedness and insurance penetration are "woefully low" in Nepal, said Julian Roberts, co-head of Willis Group Holdings P.L.C.'s global weather risks practice in London.

"We'll probably find that there was more insurance carried by the tourists and expat community out there than all the Nepalese combined," he said.

# SOCIAL

Continued from page 4

Hall said.

"Things spread virally. Everybody has an open and equal voice in a lot of social media constructs, and that's not something employers from a communication perspective are used to and not something that they are necessarily comfortable with," he said.

Employers may fear "people spreading inaccurate or bad information, or people getting too personal or divulging too much in an open forum about, for example, their health," which could open employers to legal liability or violation of the Health Insurance Portability and Accountability Act, said Kaulen Taylor, Austin, Texas-based partner and next-practice leader at Aon Hewitt.

Employers also may be uncom-

fortable showing their benefits programs to competitors.

But experts say these risks can be mitigated by moderating comments, providing guidance on what's appropriate to post or keeping social media channels on an internal site behind a firewall.

At PacSun, Ms. Silva and three co-workers who manage the company's wellness Facebook page, which launched in April, have minimized risks by keeping the group closed and verifying employment of those who request to join. They soon will start posting comments after vetting them.

While PacSun is using social media to target its younger staff, Meagan Tyson, West region director of client communication at Hub International Ltd., said it can be used for any demographic as long as social media fits a company's culture.

"If you are a little more closed off or more traditional in your com-

munication methods, jumping into something like social media is just going to shock your employees, and they're not going to be engaged and they're not going to want to do it," Ms. Tyson said.

Ms. Tyson said some employers are beginning to "build that two-way communication" through blogs before turning to Facebook or Twitter.

Loyola University Chicago found that social media, on which it started sharing employee benefits information two years ago, did not produce the desired effect.

"We've found more success with other internal communication channels such as email, direct mail and our internal employee website, Inside Loyola," Deborah Meister, director of benefits, compensation and human resources information systems, said in an email.

Already part of everyday life, social media will be increasingly expected in the workplace as the

millennial generation becomes the majority there, said Aon Hewitt's Ms. Taylor.

"Employers who are not moving in the direction of social media are going to look more and more outdated and behind, and look as though they are unable to provide the type of authenticity and connection and other intangible things that employees are increasingly looking for in the workplace," Ms. Taylor said.

Because many employers are just launching social media strategies for benefits purposes, its effectiveness is difficult to measure.

And those employers are using social media as just one of many outlets for benefits communication.

Said Ms. Tyson: "You can't do just Facebook. You can't do just print. You can't do just email." The goal, she said, is making "sure people can get the information however they want it."

"I think there is renewed interest in revisiting FSOC and transparency and accountability surrounding the SIFI process."

J. Stephen Zieleski,  
American Insurance Association

tion is a long-term process, and Congress began paying greater attention when asset management companies "were under the microscope for designation," Mr. Zieleski said.

"There's a general feeling driving the need for accountability and transparency that SIFI still equals 'too big to fail,'" he said.

"It's like the 'Hotel California.' Once you're trapped in there, you can never leave," he said in citing the 1977 Eagles song. "There's got to be a path to de-designation."

PCI's Mr. Snyder noted that international organizations such as the International Association of Insurance Supervisors also are designating insurers that present a systemic risk. There's particular concern "about the closed-door cultures" of some of the international organizations and concern that state-based insurance regulatory standards may be eroded by their efforts.

"The real focus is on transparency, because it results in better outcomes and is a more inclusive process," he said.

**NOMINATE**  
**THROUGH**  
**JUNE 5**

The insurance industry is always on the hunt for talent, and providing a great place to work is a key factor in attracting and retaining the brightest prospects.

Does your company have what it takes to create a happy and engaged workforce, and not only help employees thrive but also win the competition for tomorrow's workforce? Can your company sustain that track record of engagement year after year for continued success, joining the elite employers in this industry?

Find out by participating in the seventh annual *Business Insurance* Best Places to Work in Insurance Program. Registration for the annual program runs through June 5, and the companies recognized in 2015 will be announced and profiled in a special report in October.

Companies that will be recognized this year fall into the industry segments of benefits brokers and consultants, claims services, group life/health insurers, property/casualty insurers, retail agents/brokers, reinsurance brokers, reinsurers and wholesale brokers/managing general agents. Plus, a new category for 2015 is a category for nonprofit insurance association or service organizations. Nonprofit employers in this category are either supported by the insurance-related companies in the other categories, or activities are closely aligned with commercial insurance.

Within each category, companies are segmented by size for ranking purposes into three groups: small companies with 25 to 249 employees; medium-size companies with 250 to 999 employees; and large companies with 1,000 or more employees.

Winners are chosen based on a two-part survey conducted by Harrisburg, Pennsylvania-based Best Companies Group. One part of the survey evaluates employees' workplace experiences and company culture; the other gathers information on the employer's benefits, policies, practices and more.

Among other things, eligible entities must have a U.S. facility; have a minimum of 25 employees working in the United States; and must have been in business a minimum of one year.

To nominate your company for 2015 recognition as a Best Place to Work in Insurance, or for more details on the program, go to [www.bestplacetoworkins.com](http://www.bestplacetoworkins.com).

**FOSUN**

Continued from page 1

"The group has been endeavoring determined efforts in establishing insurance as its core business and developing insurance as one of the key growth engines of the group," Mr. Guo said in an email. "We believe the acquisition will bring synergies for both parties in prevention of currency risks, expansion of assets allocation and cooperation in reinsurance business."

The deal is an example of rising foreign interest in U.S. insurers, analysts say.

"I definitely see continued foreign investment interest in the U.S. insurance market" due to opportunities in the commercial and personal lines markets, said Howard Mills, New York-based global insurance regulatory leader for Deloitte Services L.L.P.

"Anywhere you see insurers of strength, they will naturally look toward the U.S. market," said Mr. Mills, adding that he has seen interest from Asia, South America and Europe.

"As far as interest in the U.S., it's all around the globe, you can see it," said John L. Ward, CEO of

Cincinnati Partners L.L.C. in Loveland, Ohio. "I anticipate that international capital will be attracted to acquisitions in the U.S., and I see that trend continuing in the short term" of 12 to 18 months.

Fosun, founded in 1992, has more than \$50 billion in assets, more than one-third of which are invested in insurers that include Ironshore, Hong Kong-based Peak Reinsurance and Southfield, Michigan-based Meadowbrook Group Inc., which Fosun proposed buying for \$433 million in December.

"Fosun is acquisitive by nature and looking to build their insurance capabilities," said Ironshore's Mr. Blaser. "If we find quality companies that fit with our model and we want to acquire them, we'll have the support of Fosun to do so. That's what they're actually encouraging."


Others also see Fosun being drawn to insurance.

"Based upon some of the disclosures they have made, it seems they certainly have the intent to expand their insurance platform," said Siddhartha Ghosh, senior credit analyst with Standard & Poor's Corp., in New York.

"This is not something we were surprised to see given Fosun's

alleged interest in Montpelier (Re Holdings Ltd.) and the delay in the (Ironshore) IPO after the 20% purchase" of Ironshore by Fosun, said Brian Schneider, senior director of insurance at Fitch Ratings Inc. in Chicago.

"We generally consider public ownership to be better than pri-



**HEAR INTERVIEW**  
 Visit *Business Insurance's* multimedia  
 Web page to hear Howard Mills of Deloitte Services L.L.P. discuss foreign investors' interest in the U.S. insurance market with *Business Insurance* Associate Editor Matthew Lerner.

vate because it typically offers more flexibility in terms of access to capital," Mr. Schneider said.

Fosun also offers geographical diversity to Ironshore, which was founded in 2006 following massive hurricane losses in 2005 and the subprime-mortgage meltdown.

"Ironshore will probably benefit from being part of a bigger parent, a single parent, with a footprint in Asia; however, it will take some time," Mr. Ghosh said.

Like Fosun's stated intent with Meadowbrook, whose shareholders in late April approved the deal that is expected to close in the second half of this year, Ironshore likely will continue operating as a separate entity.

"Fosun has mentioned very clearly in their publicly disclosed statements that they would be operating Ironshore on a stand-alone basis," Mr. Ghosh said.

"The management team led by CEO Kevin Kelley has been recognized by the industry as a first-class management and underwriting team," Fosun's Mr. Guo said.

While Fosun is expected to allow Ironshore to run its insurance business, the new parent may wish to be involved in the insurer's investment strategy, much like Berkshire Hathaway Inc., "following the model of looking to generate successful insurance businesses that would allow Fosun to focus on the investment side," Ironshore's Mr. Blaser said.

"They call it the two wheels of the bicycle," he said. "The front wheel they say is the insurance business and the back wheel is their investment opportunity."

The deal to buy Ironshore is subject to regulatory approval, and both sides can call it off if it is not completed by March 31, 2016.

**MULTIEMPLOYER**

Continued from page 4

dent and regional manager at The Segal Co. in New York.

Because the plans would have to be fully funded, a key feature of a 35-year-old federal law — the Multiemployer Pension Plan Amendments Act of 1980 — that many believe has backfired, would not be imposed.

That feature, withdrawal liability, requires employers that withdraw from underfunded plans to pay a share of unfunded benefits. Today, withdrawal liability tabs can easily amount to several times an employers' net worth and has discouraged new employers from joining the plans.

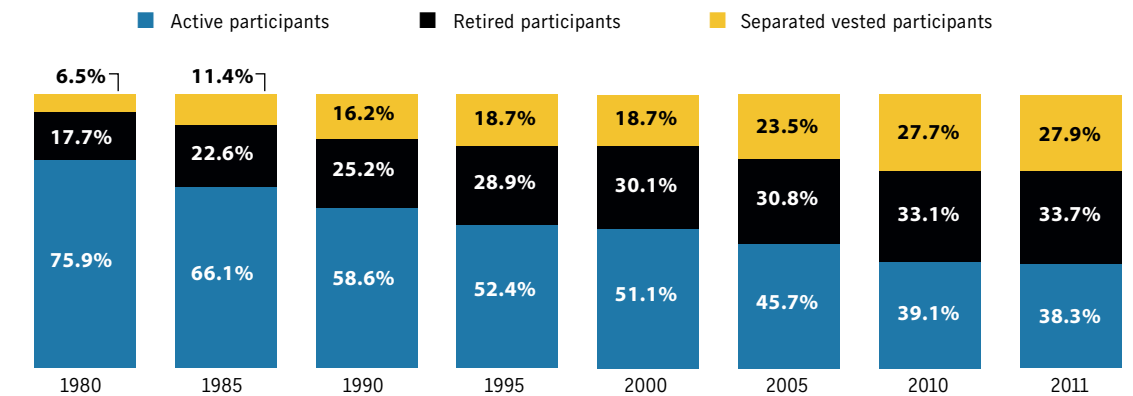
The removal of withdrawal liability, though, would be "revolutionary" and "would enable plans to attract new employers," said Jack Abraham, a principal at PricewaterhouseCoopers L.L.P. in Chicago.

"Withdrawal liability does not work. As plans mature, the numbers have become astronomical. Withdrawal liability was driving employers out of the system," said Randy DeFrehn, executive director of the National Coordinating Committee for Multiemployer Pension Plans in Washington. "Employers want to provide solid benefits, but not in a way" that can drive them out of business.

To be sure, withdrawal liability would continue to apply on benefits already earned. If employers and unions agreed on the new design, it would apply to participants' future benefits, while cur-

**AGING PLANS**

As fewer new employers have joined multiemployer plans, plan demographics have changed dramatically.



Source: Pension Benefit Guaranty Corp.

rent requirements, including withdrawal liability, would apply for benefits earned at the time on conversion to the new design.

Whether lawmakers can agree on a legislative package remain to be seen. Rep. Roe, a member of the House Education and the Workforce Committee, which would have jurisdiction over the multiemployer legislation, conceded that a good percentage of lawmakers lack a solid understanding of withdrawal liability.

A congressional staffer who spoke at the conference and asked not be identified acknowledged that an "educational process will be needed" to pass such legislation.

Despite the "complicated" nature of the issue that has Congress "rolling back their eyes" when it is discussed, "I have great hopes that we will get this done this year," Rep. Roe said.

The legislation would build on a measure Congress passed last

year in a rare show of bipartisanship that allows trustees of financially troubled plans to cut participants' benefits, except for elderly retirees and those receiving disability benefits. It also doubled premiums the plans pay to the Pension Benefit Guaranty Corp., but left withdrawal liability intact.

The catalyst for lawmakers' action were numerous reports detailing the dire financial condition of dozens of multiemployer plans and the threat they posed to the PBGC's insurance program.

The PBGC, for example, warned that the looming insolvency of several large multiemployer plans led to a fivefold leap — to \$42.43 billion — in just one year in the deficit of its multiemployer insurance program that guarantees benefits to participants in insolvent plans.

Those insolvencies eventually would overwhelm the agency's insurance program, which in 2014 collected just \$122 million in premiums from multiemployer plans,

which have about 10.4 million participants.

While last year's law put off the collapse of the most severely underfunded plans by allowing financially distressed plans to cut benefits, the fact that it left withdrawal liability intact did nothing to encourage new employers to join the plans.

That fear of withdrawal liability "is the No. 1 reason keeping prospective employers from joining the plans," said Josh Shapiro, a senior actuarial adviser at Groom Law Group Chtd. in Washington.

"The burden and risk is on the employers. The employer may have made all its promised contributions to its plan and then still be hit with a withdrawal liability bill worth more than the company," said Dana Thompson assistant director of legislative affairs with Sheet Metal and Air Conditioning Contractors' National Association in Chantilly, Virginia.



AP PHOTO

According to Munich Reinsurance Co.'s NatCatService database, U.S. wildfire, heat and drought losses totaled \$1.7 billion in 2014, even as firefighters increased the amount of fire retardants they drop on fires.

## WILDFIRES

Continued from page 1

likelihood for major brush fires this year and beyond is high. In 2014, the National Interagency Fire Center reported 63,612 U.S. wildfires that burned more than 3.6 million acres; in 2013, 47,579 fires burned 4.3 million acres.

A report issued in early May by the center's Predictive Services put much of California, western Nevada, southeast Oregon, and across Oklahoma and Texas in extreme to exceptional drought conditions — with “above normal fire potential” in California especially.

The Lincoln, Nebraska-based National Drought Mitigation Center, which tracks the nation's

drought conditions weekly with levels ranging from D0 to D5, reported in late April that most of California, Oregon and Nevada fell into the extreme D4-D5 range.

“It'll burn somewhere,” said Thomas Welle, Denver-based senior project manager at the Quincy, Massachusetts-based National Fire Protection Association. “The (multiyear) drought in California and parts of the Midwest is going to play a significant role. When you get into those long drought patterns, vegetation becomes extremely stressed and is much more susceptible to fire.”

The four-year drought has expanded the wildfire season from a few peak months in the late summer and fall depending on where one lives to a year-round risk, said Arindam Samanta, Lexington, Massachusetts-based senior man-

ager of underwriting products and analytics at Verisk Climate, a unit of Verisk Analytics Inc. that studies natural disasters and conducts risk analysis for insurers and governments.

“The approach we take is that the risk is now active throughout the year ... that this can happen anytime,” Mr. Samanta said.

CoreLogic Inc., an Irvine, California-based analytics firm, recently released its annual estimates of wildfire exposures in the U.S. West. Its 2015 estimates are aimed at residential properties, which it says could result in \$237.3 billion of damage in high-risk and very high-risk areas of seven states this year. In its last report, for 2013, that estimate was set at \$189.2 billion.

The report concludes that the cost of wildfires will grow because of development of what experts

refer to as the “wildland-urban interface.”

In the U.S. West, nearly 40% of new-home development is in this wildland-urban interface, according to Verisk Climate.

Though there is no research on commercial building in these interface areas, experts say commercial building in fire-prone areas is increasing

“What we are seeing are more residences, commercial properties and developments in the areas that are and have always been high-risk,” said Tom Jeffery, a Madison, Wisconsin-based senior hazard scientist at CoreLogic. “The risk is enhanced because of the drought ... individuals are paying more attention because of the drought.”

Wildfires, typically ignited by lightning or human negligence, are among the most unpredictable of natural catastrophes. Changes in wind speed and direction make predicting a fire's path difficult and leave little or no time for warnings.

When examining total costs, fire fighting and prevention, loss of property and businesses are often tallied separately. Health expenses associated with the environmental hazard of a major brush fire often are not counted. However, most experts put the totals in the billions.

According to Munich Reinsurance Co.'s NatCatService database, U.S. wildfire, heat and drought losses totaled \$1.7 billion in 2014. For commercial insurers, experts say the wildfire risk hasn't been a hot topic, but that is changing.

“I think it's probably because wildfires are becoming more prevalent,” said Peter Jagger, a Dallas-based managing director at Aon Global Risk Consulting. “Clients don't think about it until it happens. Now, we have clients who have experienced wildfire and who've seen the devastation. It's

one of those risks they are looking at and trying to prepare for. There seems to be interest from clients on how to model wildfire as a risk and how to look at it from a pre-loss and (how to) mitigate response.”

“The research is unprecedented,” said Garner Palenske, a San Diego-based senior vice president at Aon Fire Protection Engineering. Mr. Palenske said several private firms and government agencies are studying the effect.

Businesses “need to make sure they have the right types of insurance: business interruption, contingent business (interruption) and supply-chain management,” said Janet Ruiz, San Francisco-based California representative of the Insurance Information Institute. “(Businesses) are becoming more aware of this.”

Still, some insurers say business interest in wildfire coverage will continue to lag that of other natural disasters, such as storms and earthquakes.

“Everybody expects worse fires in general, and what doesn't get talked about (are how) large industrial occupancies (are) affected by this,” said John Frank, Atlanta-based loss prevention center of excellence leader at XL Group P.L.C. “That's what we are focusing on and trying to get (our clients) focused on.”

“We try not to insure a lot within certain areas,” said Chubb's Mr. Drobný, of businesses in wildfire-prone areas. While “we are not seeing many (commercial) clients exposed to wildfire, generally and historically,” the focus is on risk management rather than insurance for clients exposed to wildfire risks, he said.

Best practices include removing brush around at-risk properties and sealing building exteriors with metal-mesh frames to prevent embers from entering, he said.

## EEOC

Continued from page 1

The ruling explores both the agency's and employer Mach Mining's positions on the issue and finds flaws in each.

The case began when a woman filed a charge with the EEOC claiming that Marion, Illinois-based Mach Mining had refused to hire her as a coal miner because of her sex, according to the ruling.

After sending two letters on the matter to the company, the EEOC filed suit in U.S. District Court in Benton, Illinois, charging the firm with sex discrimination in its hiring. Mach Mining contended that the EEOC had failed to first conciliate the dispute in good faith. The trial court held that it had the right to review whether the commission had made a reasonable effort to conciliate the matter.

Its ruling was reversed by the 7th U.S. Circuit Court of Appeals in Chicago, which held in 2013 that

the EEOC's conciliation efforts are not subject to judicial review.

“The Government (once having accepted the necessity for some review), proposes that courts rely solely on facial examination of certain EEOC documents. Mach Mining argues for far more intrusive review,” says the ruling. “We accept neither suggestion, because we think neither consistent with the choices Congress made in enacting Title VII.”

Title VII of the Civil Rights Act of 1964 demands that the EEOC informs the employer about specific allegations of unlawful employment practices and that it “try to engage the employer in some form of discussion” to remedy the allegedly discriminatory practice, says the ruling.

This “relatively bare bones review allows the EEOC to exercise all the expansive discretion Title VII gives it to decide how to conduct conciliation efforts and when to end them,” says the ruling.

If the EEOC does not provide the

required information or engage in conciliation, however, “a court must conduct the fact-finding necessary to decide that limited dispute.”

The decision “is great news for victims of discrimination on whose behalf we are seeking relief,” EEOC General Counsel David Lopez said in a statement.

Mach Mining's attorney did not respond to a request for comment.

The ruling is only a partial victory for employers at best, observers say. It establishes a “pretty low burden” for the agency to overcome before it can file a lawsuit in federal court, said Frank A. Chernak, a partner with law firm Ballard Spahr L.L.P. in Philadelphia. “It doesn't change the landscape that much.”

“It really does not provide any opportunity to review the EEOC's conduct during the course of the mediation process,” said Barry A. Hartstein, a shareholder at Littler Mendelson P.C. in Chicago.

At the same time, “It certainly potentially creates more leverage

for the agency in making demands that are potentially excessive, at least to the extent the employer will have limited opportunity to try to challenge the EEOC's conduct in any subsequent litigation,” Mr. Hartstein said.

However, the important issue here is whether the Supreme Court was willing to give the EEOC free rein, and “on that score, the EEOC did not prevail,” said David Barmak, a member of law firm Mintz Levin Cohn Ferris Glovsky & Popeo P.C. in Washington. “There are some restrictions and some requirements the EEOC needs to meet.”

Subsequent litigation in the lower courts will further flesh out the ruling, many observers say.

“What's not clear from the decision is whether, really, the EEOC is going to be required to provide more information to employers, or if they're going to just continue to do what they've always done,” which is to send letters that are “often bare bones and cryptic,” said Lindsey M. Marcus, an associ-

ate with law firm Franczek Radelet P.C. in Chicago.

Also still unclear is the extent to which the EEOC must first conduct an investigation before filing charges, said Marcia McShane, a partner with law firm Constangy, Brooks, Smith & Prophete L.L.P. in Nashville, Tennessee. “The investigative issue is going to be the big one that comes next,” she said.

“The practical outcome of this is that the EEOC realizes that they have to jump through some hoops in the conciliation process, but the question is, how many and how high ... and that has to be litigated,” said Raanon Gal, an attorney at Taylor English Duma L.L.P. in Atlanta.

But David Gevertz, a shareholder at Baker, Donelson, Bearman, Caldwell & Berkowitz P.C. in Atlanta, who labeled the ruling a “pyrrhic victory” for employers, said, “If you take the Supreme Court at its word, the lower courts will only be able to engage in very limited fact finding with a virtually nonexistent penalty.”



AP PHOTO

Many viewers watched the Mayweather-Pacquiao fight illegally using streaming sites like Periscope and Meerkat.

## Promoters hit back at boxing pirates

Floyd Mayweather Jr. defeated Manny Pacquiao to become the welterweight world champion, but the next fight could be between promoters and streaming sites. While many viewers purchased the fight from their cable or satellite company for about \$100, others watched illegally using streaming sites, like Periscope and Meerkat, that allow users to share footage from their mobile devices on social media. Periscope's streams lasted 24 hours, and Meerkat's disappeared at the end of the recording, *The Hollywood Reporter* wrote.

Ahead of the fight, Showtime, HBO and fight promoters filed a joint lawsuit against several streaming sites, demanding relief from copyright infringement. "The fight will be fixed as an audiovisual recording by a single authorized camera and production crew at the same time it is being transmitted live to consumers throughout the world via licensed pay-per-view access," the lawsuit states, adding that "anticipated infringement" by the streaming sites "threatens to irreparably harm plaintiffs' valuable relationships with their authorized television carriers and with consumers."

## Sports store scores with jersey insurance

On the heels of the Philadelphia Eagles signing Tim Tebow coupled with the likelihood that former St. Louis Rams player Sam Bradford — who hasn't completed a full NFL season since 2012 — will start at quarterback for the Eagles, one sporting goods store is offering jersey insurance to customers.

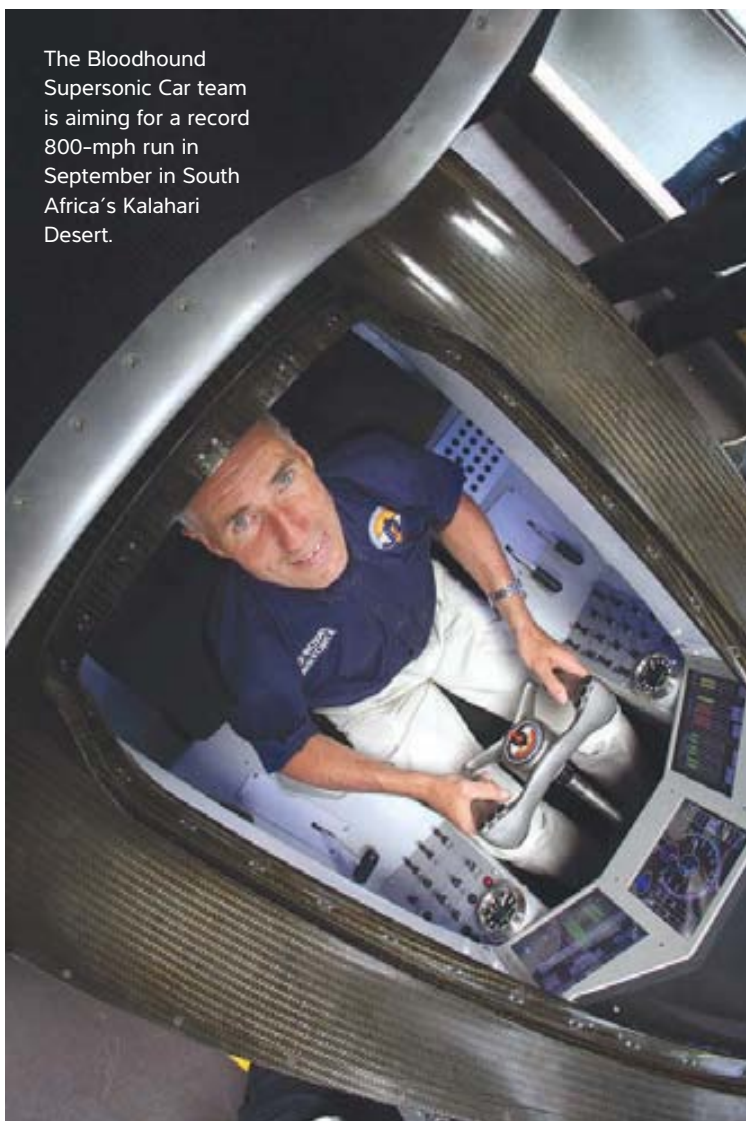
Schuylkill Valley Sports, is now offering insurance to customers who purchase NFL jerseys at its 18 locations, according to media reports.

For \$10, if a player is traded or released from the team within 18 months of purchase, customers will get to keep that player's jersey and buy an additional jersey for half price, reports state.

With NFL jerseys costing around \$100, customers may find the insurance to be a worthwhile investment. However, the deal doesn't apply to jerseys of retired or injured players.

## INSURANCE COVER FOR SUPERSONIC CAR SPEEDS TO MARKET

The Bloodhound Supersonic Car team is aiming for a record 800-mph run in September in South Africa's Kalahari Desert.



AP PHOTO

As one of the world's largest insurance brokers, Willis Group Holdings P.L.C. doesn't seem to be afraid of some four-wheeled thrills. Willis has been named lead broker and risk adviser for an upcoming bid to break the world land speed record with the Bloodhound Supersonic Car, the brokerage said in a statement.

Willis will offer its services during the car's building and testing phase. The car's team is aiming for a record 800-mph run in September in South Africa's Kalahari Desert, followed by an ambitious attempt at 1,000 mph in 2016, the statement said.

The BBC reports the sleek speedster will be powered by a Eurofighter jet engine and a hybrid rocket motor.

"This is all about resilience at 1,000 miles per hour," Adam Piper, Willis' lead broker on the Bloodhound program, said in the statement. "Developing a tailored and comprehensive risk and insurance program to meet the evolving requirements of this inspiring engineering adventure demands an analytical approach to risk. Willis and our London insurance partners are closely aligned with the Bloodhound project's risk management philosophy — this is critical to ensure success."

Mr. Piper arguably may have the fastest-moving job in insurance broking.

*Business Insurance* isn't all business all the time, and we know you're not either. So visit [www.businessinsurance.com](http://www.businessinsurance.com) for more Off Beat stories and monthly photo galleries featuring the best of the weirdest news about insurance, fraud, liability issues and related topics that make people and companies do funny, silly and strange things.

## Singing in post office not a protected right

Singing in the rain may result in a glorious feeling, but singing in the post office apparently is not a constitutional right.

So says an appeals court in dismissing a lawsuit filed by a U.S. Postal Service customer who was asked to leave after he refused to stop singing.

Erik Watkins claimed in his suit that a postal employee denied his request to purchase a mailbox after he refused to stop singing what he described as an anti-gay song by reggae artist Buju Banton in February 2014, according to a ruling by the 11th U.S. Circuit Court of Appeals in Atlanta in *Eric Watkins v. United States Postal Employee*.

Mr. Watkins filed suit, claiming he was entitled to \$50,000 in damages from the postal employee for a willful violation of his First Amendment rights and the resulting "psychological injury" of "fear, anxiety and embarrassment."

The U.S. District Court in Miami granted the postal employee's motion to dismiss the case, and a three-judge 11th Circuit panel unanimously upheld the ruling, saying, "Refusing service to a disruptive customer does not violate any clearly established and obvious federal law."



## Bingo! Hog crash covered by comp

A woman who got into a car accident with a wild hog while returning from a trip to an Alabama bingo hall can receive workers compensation for her injuries, the Mississippi Court of Appeals ruled.

Virginia Applequist, 68, worked as an off-property director of player development for Pearl River Resort, a casino in Philadelphia, Mississippi, owned by the Mississippi Band of Choctaw Indians. She lived in Alabama and often traveled to Alabama gambling facilities to survey them for her job, according to court filings.

In January 2010, Ms. Applequist and her sister were returning from a bingo hall called Bama Bingo in Birmingham, Alabama, when her car ran into a 400-pound wild hog during a rain storm at 4 a.m., records show. Ms. Applequist wore a back brace for 90 days and worked from home while recovering from her injuries. She filed for workers comp in September 2011.

The Mississippi appellate court unanimously ruled that Ms. Applequist was due comp benefits, as she was returning from "a duty within her job description."

# CYBER RISK SUMMIT 2015

September 27-28, 2015  
JW Marriott, San Francisco



Put up your defenses before you're breached. And if you're hacked, how do you recover? The experts and the answers are here at this can't-miss event.

## AGENDA AT A GLANCE:

### DAY 1

**4:30 p.m.-7:00 p.m. Solutions Expo**  
Meet cyber risk solution vendors to learn about products and services to address your cyber risk exposures.

### DAY 2

**8:30 a.m. – 8:40 a.m. Welcome Remarks**



**8:40 a.m. 9:10 a.m. Morning Keynote: Malcolm Palmore, FBI San Francisco Asst. Special Agent in Charge of Cyber**

**9:10 a.m. – 10:05 a.m. Session 1: You're Not a Retailer, but You're Still a Target (pun intended)**  
This session will explore new and emerging cyber threats such as attacks on critical infrastructure that could interrupt operations and supply chains.

**10:10 a.m. – 10:30 a.m. Networking Break**

**10:35 a.m.-11:40 p.m. Session 2: Legislative and Regulatory Landscape**  
Examining federal and state legislation, risk managers will be updated on data privacy and security requirements for their organizations.

**11:45 p.m.-12:30 p.m. Networking Luncheon**

**12:35 p.m.-1:30 p.m. Session 3: Quantifying the Impact of a Cyber Incident**  
Using data analytics and modeling scenarios derived from actual cyber events, this session will examine potential costs to organizations when their systems are hacked.

### DAY 2 (cont.)

**1:35 p.m.-2:30 p.m. Session 4: Cyber Policies: What's Covered and What's Not?**  
Discover the latest advances in cyber risk insurance coverage, including available coverage limits and costs, terms and conditions.

**2:35-3:20 Session 5: Cyber Risk Mitigation: Sometimes Insurance Isn't Enough**  
Explore risk mitigation strategies designed to reduce this exposure when cyber risk coverage is either unavailable or inadequate.

**3:25-3:45 p.m. Networking Break**

**3:50 p.m.-4:45 p.m. Session 6: Cyber Improv: Audience Participation Encouraged**  
In an interactive session, the audience will lead various professionals through a data incident. Attorneys, insurers, forensics, risk manager, credit monitoring, public relations and, yes, a "shot clock" will be included!



**4:50 p.m.-5:20 p.m. Closing Keynote: Jeff Moss, a former hacker known as the Dark Tangent, and founder of DEF CON and Black Hat hackers conventions**

**5:20-5:30 p.m. Closing Remarks**

**5:30-7:00 p.m. Closing Cocktail Reception**

**Track The Hacker**  
Winner of the sweepstakes will be announced - A trip to a BI Event of his/her choice.

## Find out what to do, before they find you.

For more details visit: [BusinessInsurance.com/cyberrisksummit](http://BusinessInsurance.com/cyberrisksummit)

**BI** | EVENTS

**To sponsor event:**  
Kimberly Jackson  
kjackson@BusinessInsurance.com  
978.317.5032

**To speak at event:**  
Joanne Wojcik  
jwojcik@BusinessInsurance.com  
303.278.7444

**To attend event:**  
Julie Ford  
jford@BusinessInsurance.com  
312.649.5441

# Put a feather in your capital.



## In the changing insurance landscape, who is your best partner for creating new opportunities?

With major medical carriers now offering voluntary benefits, there may appear to be more answers to that question than ever before. But when you take a closer look, one stands out: Aflac.

Aflac has exceptionally high brand recognition to help drive enrollment. It also has guaranteed-issue group products, so it's a great way to grow your business with clients both old and new.

While many brokers are currently working to simply maintain their margins, there are those who are open to new opportunities that will expand their businesses. You may even be one yourself. Needless to say, we're happy to help make it happen — and tip our hats to your success.

Ready to grow your bottom line?

Aflac can help.

See how at [aflac.com/PartnerWithUs](https://aflac.com/PartnerWithUs)



Brokers licensed with Aflac are independent agents and are not employees of Aflac. Coverage is underwritten by American Family Life Assurance Company of Columbus. In New York, coverage is underwritten by American Family Life Assurance Company of New York. Group coverage is underwritten by Continental American Insurance Company (CAIC).  
Worldwide Headquarters | 1932 Wynnton Road | Columbus, GA 31999