

# Business Insurance

\$5

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**HEATH LAMBERT BUY BOOSTS RETAIL IN U.K., GALLAGHER SAYS / PAGE 3**

**RIMS EYES MEMBERSHIP IN TREASURY COMMITTEE ON INSURANCE / PAGE 3**

**INSURED TORNADO LOSSES IN MIDWEST, SOUTHEAST MAY HIT \$7 BILLION / PAGE 4**

## In Brief

### Treasury plans AIG share sale

American International Group Inc. said last week the U.S. Treasury Department plans to sell at least 200 million of its shares. The offering is Treasury's first attempt to unload the 1.66 billion AIG shares it took on as part of the government's 2008 bailout of the insurer. AIG also plans to sell another 100 million shares that it owns. AIG's stock closed at \$30.42 a share on Friday, which would value the offer at more than \$9.1 billion.

### Recent catastrophes to cost Lloyd's \$3.8B

Lloyd's of London said recent catastrophes in Japan, New Zealand and Australia caused about \$3.8 billion in losses for insurers in its market and it expects insurance prices to

See **IN BRIEF** page 25

## HEALTH CARE REFORM

# Cover mandate raises new fears

*Big penalties possible for solitary lapse in offering insurance*

By **JERRY GEISEL**

**WASHINGTON**—The Treasury Department is moving to quell mounting employer fears that they could face huge penalties if just one full-time employee is not offered health care coverage.

Those fears involve a pivotal provision in the health care reform law that goes into effect in 2014. That is when the law imposes an employer penalty up to \$2,000 a year for each full-time employee—those working an average of at least 30 hours a week during a month—not offered health care coverage.

The provision, experts say, states clearly that the penalty would be assessed for all full-time employees—including those with coverage—if just one lower-paid full-time employee was not offered coverage, was eligible for a premium subsidy and used the subsidy to purchase coverage in a state insurance exchange.

"That is the way the law reads. It is a sledgehammer," said Michael Thompson, a principal with PricewaterhouseCoopers L.L.P. in New York.

"The provision seems pretty clear. There is no qualification," said Rich Stover, a principal with Buck Consultants L.L.C. in Secaucus, N.J.

Fears about potentially massive fines on employers, even those offering coverage to virtually all of their full-time employees, have reached the Treasury Department, which is moving to ease those worries.

For example, in a notice issued this month, the Treasury Department asked for public comment on a possible approach to determine whether an employee is full time. In the notice, Treasury said it "contemplated" that forthcoming regulations would clarify that the assessment would not apply if an employer offered coverage to all "or substantially all" of its full-time employees.

In addition, the Treasury Department wants suggestions on "other situations where application of

See **PENALTY** page 24

## CYBER RISKS



President Barack Obama's administration proposed a national standard on notifying consumers about data breaches, which observers said is needed to replace individual state laws.

# White House unveils proposal to improve cyber security

*Federal breach notification rule sought*

By **JUDY GREENWALD**

**WASHINGTON**—An Obama administration cyber security proposal, which would replace the patchwork of state laws with a national standard concerning notification of consumers about data breaches, is needed and welcome, many legal observers say.

Some praised the president's proposed cyber security plan in general, but also said it is over-

due. Others said more details are needed and there is relatively little in the plan that breaks new ground.

The Obama administration proposed the legislation last week to improve protection for individuals, the nation's critical infrastructure as well as the federal government's networks and computers.

See **CYBER** page 25



## SPOTLIGHT

### RIMS CONFERENCE REPORT

Mitigating disasters, latest tactics in enterprise risk management, new uses for captives, major risks from bed bugs among topics in Vancouver. **PAGE 11**

## CYBER RISKS

# Small, midsize firms overlook social media risks

By **MATT DUNNING**

Businesses face a host of liability risks when they or their employees use social media, yet only the

largest companies have been using insurance to protect against such exposures, experts say.

Facebook launched in 2004 and Twitter geared up in 2006,



Risk managers, consultants and attorneys have advised against participating in social media sites without adequate protections in place, including insurance that typically is designed for traditional media outlets.

But when it comes to updating their liability coverage to include defamation, libel, copyright infringement and other risks that can arise from company-sanctioned social media communications, most employers heeding those warnings tend to be the

and brokers and analysts in recent years have pegged social media as one of the next frontiers in potential liability for companies of all sizes.

See **SOCIAL** page 24

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# Business Insurance

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webcast

**SOCIAL MEDIA RISKS:** Register for a *Business Insurance* webcast on social media policies. "Friends and Foes: Social Media Risk Management Best Practices," featuring experts Melinda Riechert and Alan Brill, will be held live at 2 p.m. EDT May 25. Register at [www.BusinessInsurance.com/webcasts](http://www.BusinessInsurance.com/webcasts).

## MOST POPULAR STORIES Week of May 9, 2011

1. Henry Keeling resigns from Guy Carpenter
2. AIG shares hit fresh lows, threaten U.S. losses
3. *BI* ranks largest independent risk management consultants
4. U.S. appeals court questions Obama health care lawsuit
5. Data breach suits grow, but damages hard to prove
6. AIG sets \$9B stock offer, half of expected
7. AIG shares fall further, put pressure on Treasury
8. Treasury seeks Federal Advisory Committee on Insurance members
9. Health care costs more than double since 2002: Milliman
10. April U.S. tornado, storm losses could reach \$5.5B: AIR

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**COMP TIME**



**LOG ON, WEIGH IN**



**DIRECTORY:** *BI*'s Directory of Risk Management Consultants is updated for 2011. Available in the Research Center.

**READ:** Comp Time, the award-winning workers compensation blog by Senior Editor Roberto Cenicerros.

**COMMENT:** Registered *BusinessInsurance.com* users now can invite friends, join discussions and more.

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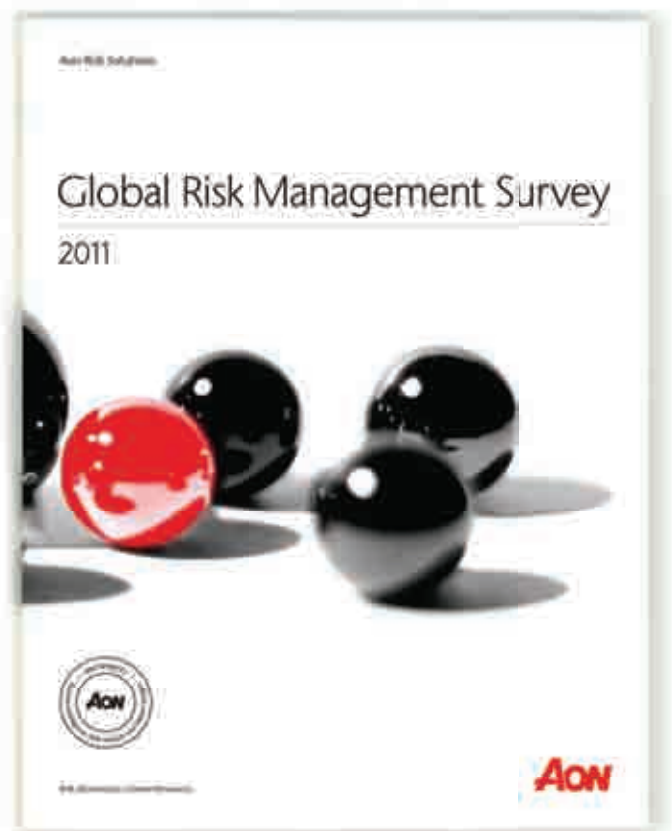
Aon Risk Solutions

# Challenge or opportunity?

Business leaders across the globe identified economic risk as the greatest threat faced today, and emphasized the need to innovate, mitigate technology failure and manage talent to compete in the future, according to the findings of Aon's 2011 Global Risk Management Survey.

Looking beyond the Top 10 Risks, "out of sight, out of mind" appears to be the mentality. Counterparty credit risk at #32? Terrorism risk at #45? Organizations must assess all viable risk events in order to be prepared for the next Black Swan before it strikes.

How does your organization compare? Check out the Top 10 Risks by industry and register for your copy of Aon's Global Risk Management Survey report at [aon.com/globalrisksurvey](http://aon.com/globalrisksurvey)



## AGENTS &amp; BROKERS

# Gallagher buys U.K. brokerage Heath Lambert

## Acquisition boosts U.K. retail business

By MARK A. HOFMANN

**LONDON**—Arthur J. Gallagher & Co. has expanded its U.K. operations with the acquisition of Heath Lambert Ltd., a deal that observers said is a sound strategic move for Gallagher.

The Heath Lambert acquisition, which is Gallagher's biggest deal to date, will enhance the brokerage's international position and help better serve large accounts, they say. Gallagher looks to have struck a good deal financially as well, they say.

Under the terms of the all-cash deal announced last week, Gallagher paid £97 million (\$158 million) for London-based HLG Holdings Ltd., the holding company for retail brokerage Heath Lambert. In a statement, Gallagher said it expects the deal to generate about the same amount in annualized revenues.

Gallagher President and CEO J. Patrick

Gallagher Jr. said the deal with Heath Lambert represents "a perfect combination of very little, if any, overlap with what we're doing in London. It really rounds out all of the approaches we've taken in the U.K."

Gallagher already is active in the London wholesale market, with a "substantial operation" that has nearly \$100 million in annual revenue, Mr. Gallagher said.

And Heath Lambert brings "some expertise that we don't have—it's an expansion of our retail platform that we're very excited about," he said.

In the statement announcing the deal, Gallagher cited several ways the HLG deal would enhance its existing U.K. operations, including expanding capabilities in fine arts, specie, real estate, employee benefits, major construction and other lines. In addition, the brokerage expects the deal to significantly expand Gallagher's U.K. benefits



**The deal with Heath Lambert represents 'a perfect combination of very little, if any, overlap with what we're doing in London. It really rounds out all of the approaches we've taken in the U.K.'**

J. Patrick Gallagher Jr.,  
Arthur J. Gallagher & Co.

consulting and advisory services as well as its access to a wide range of retail clients.

Heath Lambert CEO Adrian Colosso will continue to oversee retail operations in the United Kingdom, reporting to David Ross, CEO of Arthur J. Gallagher International, according to a Heath Lambert statement.

Gallagher, which has been expanding internationally in recent years, previously bought Heath Lambert's Canadian opera-

tion, Mr. Gallagher said.

But as Gallagher has been growing in recent years, Heath Lambert has been shrinking. For example, in June 2008, the company—once a top 10 brokerage—sold its general wholesale and reinsurance operations to London-based Cooper Gay & Co. Ltd. Talks that would have merged Heath Lambert with Jardine Lloyd Thompson Group P.L.C. broke down in 2006. In 2004, the U.S. wholesale operations of Heath Lambert

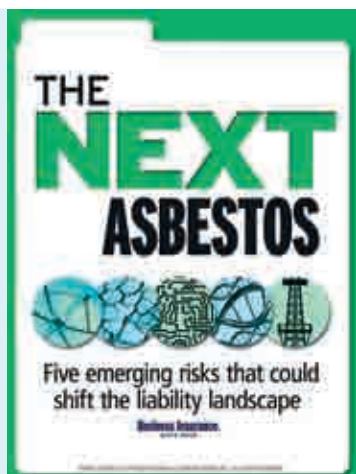
were spun off in a management buyout, creating Colemont Insurance brokers.

The deal is a plus for Gallagher, according to analysts.

"I think it's a good move," said Meyer Shields, an analyst at Stifel Nicolaus & Co. Inc. in Baltimore. "Insurance is becoming more and more global, and Gallagher has

See **GALLAGHER** page 23

## Emerging liabilities represent big threats



**W**hen the last asbestos-related claim is finally paid, commercial policyholders, insurers and reinsurers will have paid out tens of billions of dollars.

While there have been several liability exposures that have caused concerns during the past 30 years, none so far has generated the same concern as the asbestos crisis.

The latest white paper from *Business Insurance*, "The Next Asbestos: Five Emerging Risks That Could Shift the Liability Landscape," examines mass tort exposures that may have the potential to cause major difficulties for commercial policyholders and their insurers.

- Nanoscale materials from carbon to silver are being used in a huge number of consumer and industrial products, yet the health and environmental effects of those materials still are largely unknown.

- Scientists are developing genetically modified plants and animals, and have started to synthesize completely new organisms with custom-assembled DNA. While the potential application of these advances could help bolster food supplies, fuels and pharmaceuticals, insurers worry that the unintended consequences of these creations could be catastrophic.

- Climate change already has sparked lawsuits that have reached the Supreme Court. Whichever way the high court rules, legal experts expect continuing litigation over who is responsible for the financial cost of changes in weather patterns.

- Workers' overexposure to radio frequency waves from rooftop wireless transmitters often has been ignored. Yet as many as 250,000 workers a year may be working dangerously close to the transmitters. Already a state supreme court has upheld a disability award to a worker accidentally exposed to radio frequency radiation.

- The environmental impact of hydraulic fracturing in drilling for natural gas could trigger its own litigation explosion. Noncontroversial for six decades, hydrofracking now is causing major environmental concerns as the demand for energy increases.

To read more about these exposures and the effects they could have on insurers and policyholders, visit [www.businessinsurance.com/whitepapers](http://www.businessinsurance.com/whitepapers).

## FEDERAL LEGISLATION & REGULATION

# Treasury seeks input on insurance

*RIMS plans to seek representation on FIO advisory committee*

By MARK A. HOFMANN

**WASHINGTON**—The Risk & Insurance Management Society Inc. wants a place on the Treasury Department's Federal Advisory Committee on Insurance.

Treasury is actively seeking members to serve on the new body, which it announced last week. It said the committee is one of several steps it is taking to establish the new Federal Insurance Office created by the Dodd-Frank Wall Street Reform and Consumer Protection Act. Illinois Insurance Director Michael McRaith has been chosen to head the FIO.

According to the federal agency, the committee will provide insurance advice to the Treasury Department and FIO. "Through the committee, the FIO and the Treasury will benefit from the deep knowledge and regulatory experience of state insurance regulators, as well as the perspective of industry experts, academics, and other stakeholders and affected constituencies, Treasury said in its announcement.

Half of the committee's membership will be reserved for state insurance regulators. Treasury said the other members "will represent a diverse range of perspectives from, for example, the property and casualty insurance industry, the life insurance industry, the reinsurance industry, the agent and broker community, public advocates and

academia."

The committee will have no more than 15 members, none of whom can be a federally registered lobbyist.

Treasury posted a call for membership applications in the Federal Register.

New York-based RIMS welcomed the move.

RIMS is "pleased they are forming this committee," said John Phelps, RIMS board liaison to the external affairs committee.

**'As we continue to understand how they're developing the FIO, we would pursue having a RIMS member on that committee.'**

John Phelps, Risk & Insurance Management Society Inc.

"We think it's important that the FIO get off to a good start, including the requisite expertise needed to form and guide it," said Mr. Phelps, who also is director-business risk solutions at Blue Cross and Blue Shield of Florida Inc. in Jacksonville.

"We think it's a positive step, but we also believe that the commercial policyholder should be represented on that committee" as well as the voice of the commercial insurance consumer, Mr. Phelps said. "As we continue to understand how they're developing the FIO, we would pursue

having a RIMS member on that committee."

Other groups also want their members to serve on the panel.

"We're definitely going to try" to get someone on the committee, said Dylan Jones, director-federal affairs in the National Assn. of Mutual Insurance Cos.' Washington office. "Like everyone else, we were surprised to see something like this come out."

He said NAMIC has a "pretty positive outlook" on the panel

"because it's a role for industry at the table."

"One thing we would like to see is mutual insurance added to that list, because we think the mutual insurance industry is a very unique voice as well," said Mr. Jones. "That's an argument we'll be making to add to their goal of 'creating a diverse and balanced body with a variety of interests, backgrounds and viewpoints represented,'" he said.

"Any opportunity to provide more knowledge about the insur-

See **PANEL** page 23

## CATASTROPHES

# Losses from tornadoes rise, may hit \$7 billion: Modelers

*Severe April storms pounded several states in Midwest, Southeast*

By **MATT DUNNING**

Estimates of insured losses from tornadoes and severe storms that struck the U.S. Midwest and Southeast continue trickling in but have yet to form a clear picture of how many billions of dollars in damage the storms inflicted.

Catastrophe modelers EQECAT Inc. and AIR Worldwide Corp.

each predicted total insured losses resulting from the April storms would fall between \$5 billion and \$7 billion.

Last week, Northbrook, Ill.-based Allstate Corp. said it expects its losses from the violent weather to reach \$1.4 billion, the vast majority due to storms that ripped through the Southeast on April 25-28.

In its first-quarter 2011 earnings statement, Boston-based Liberty Mutual Group Inc. said total industry losses for April could range from \$10 billion to \$15 billion.

"It's obviously a wide range, but we have a high degree of confi-

dence that that's the magnitude," Ted Kelly, chairman and CEO of Liberty Mutual, said during a first-quarter earnings analyst call. He said Liberty Mutual's share of the storm losses in April could be as high as \$450 million.

Germany-based Munich Reinsurance Co. said its burden from the storms could reach up to \$212 million.

In North Carolina, more than 6,640 homes and 112 businesses were destroyed or damaged during April 16 storms, and insured losses for the month are likely to be as high as \$997 million in the state,



AP PHOTO

**Tornadoes left a path of destruction in Raleigh, N.C., last month. Insured loss estimates from the storms are still developing but are expected to be in the billions of dollars.**

said a spokesman for the Des Plaines, Ill.-based Property Casualty Insurance Assn. of America.

The National Weather Service received 875 eyewitness reports of

tornadoes last month, one-quarter of which were reported April 27. That day, storms in Alabama,

See **TWISTERS** page 24

## CATASTROPHES



AP PHOTO

**National Guard members built levees by the Mississippi River last week. Uptake of flood insurance in the affected zones varies.**

## Mississippi River flooding unlikely to soak insurers

By **MICHAEL BRADFORD**

**MEMPHIS, Tenn.**—Insured losses from flooding along the Mississippi River will be spotty, with some property owners covered by insurance written by the commercial market and the National Flood Insurance Program, and others without any coverage, experts say.

The river, bloated by heavy rains and snowmelt, has washed over its banks, flooding homes and businesses. Areas around Memphis, Tenn., and Tunica, Miss., were hit the hardest, suffering economic losses estimated to be hundreds of millions of dollars.

Late last week, the Army Corps of Engineers was considering whether to open the Morganza Spillway in Louisiana to protect Baton Rouge and New Orleans from catastrophic flooding, a move that would put about

13,000 structures upriver from those cities at risk of being swamped, according to the Corps.

Dockside casinos along the Mississippi were shuttered last week and oil refinery workers scrambled to place barriers aimed at holding back the water.

Some, but not all, commercial operations along the river are covered for flood damage said Duncan C. Ellis, managing director and U.S. property practice leader at Marsh USA Inc. in New York.

While large companies likely are covered, middle-market and smaller operations may not have insurance, Mr. Ellis said. "It's very spotty," he said, and often depends on whether the companies have loans with banks that require the insurance.

Patrice Collingwood, senior vp

See **FLOOD** page 6

## BENEFITS MANAGEMENT

## Seeking savvy health care shoppers

*Safeway wants employees engaged in buying process*

By **JEFF CASALE**

**CHICAGO**—Engaging employees in their health care can transform the way those services are delivered and consumed, a large grocery store chain has found.

An engaged consumer of health care will make the right decisions about where to seek care and how much to spend on it, according to Shawn Leavitt, vp of benefits at Safeway Inc.

Mr. Leavitt shared Safeway's experience with employee benefit providers as well as medical community professionals gath-

ered at the Mid-America Club in Chicago during the Midwest Business Group on Health's 31<sup>st</sup> Annual Conference, May 5-6.

Other members of the employee benefit and health care industries speaking at the MBGH meeting focused on topics such as the progression of the health care industry and how employers are grappling with ways to keep costs flat, while still offering health benefits to their employees in the face of national health care reform.

"It's time to educate our employees to one simple fact—health care is a business," Mr. Leavitt told the audience. "It's a very simple business model...if (providers and hospitals) don't improve profitable revenue, they will not be here five years from

now. That is every organization's underlying goal and objective and educating our employees to that simple fact is very important."

Mr. Leavitt said the Oakland, Calif.-based grocery chain has taken that step in building a health plan designed to engage employees, empower them with information, and allow them to be a "smart purchaser" of health care services.

To do this, Safeway developed a health program called "Choice Point," which Mr. Leavitt said allows employees to shop for their services, whether it's a colonoscopy or a lipid profile. The idea is to give the consumer options based on convenience, quality and value.

See **MBGH** page 6

## Learn best practices in workers comp

A recovering economy, deteriorating insurer results and rising claims frequency set the stage for a challenging workers compensation market and rate increases for employers.

Amid those conditions, preventing workplace accidents and helping injured employees to return to work become more important, as do managing workers compensation claims and medical care amid seismic health care system changes.

An upcoming *Business Insurance* virtual event—Virtual Advantage 2011: Best Practices in Workers Compensation Management—will explore these topics, as well as other key issues impacting workers comp.

The virtual conference, to be held June 23, will feature a roundtable discussion by leading workers comp bloggers who will highlight hot topics. Panelists are:

■ Roberto Cenicerros, senior editor and Western

bureau chief of *BI* and author of the *Comp Time* blog.

■ Thomas Lynch, founder and president of Lynch, Ryan & Associates Inc. in Wellesley, Mass., and founder of the *Workers' Comp Insider* blog.

■ Joseph Paduda, principal of Health Strategy Associates in Madison, Conn., and author of the *Managed Care Matters* blog.

■ Mark Walls, assistant vp-claims for Safety National in St. Louis and Manager of the *Work Comp Analysis Group* on LinkedIn.

In addition, Virtual Advantage 2011 will feature a keynote address, breakout sessions on trends and best practices, and a virtual exhibit hall featuring workers comp service providers.

The online conference environment also will afford attendees an opportunity to network with peers and interact with panelists in question-and-answer sessions.

There is no charge to attend. To register, visit [www.businessinsurance.com/virtualadvantage](http://www.businessinsurance.com/virtualadvantage).



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## MBGH: Seeking savvy shoppers for health care

CONTINUED FROM PAGE 4

The problem with most providers, Mr. Leavitt said, is that they don't allow consumers to see the price of a service and they are left to choose blindly. He likened the situation to that of a grocery store that removed all the prices and labels from the food it was selling.

"Don't you need to know what the price of something or quality of something is before you purchase it?" he asked.

"Choice Point is about a commodity-based service...services that we believe that the outcome

is identical regardless of where you have the service done," Mr. Leavitt said.

For example, consumers can get a lipid profile ranging in price from \$8 to \$150, Mr. Leavitt said, depending on where they go. In its plan, Safeway tells its employees the company will pay \$12 for this service because the outcome of the procedure will be the same at any location. Employees can then make the decision on where they'd prefer to have the service performed, knowing that if they choose a facility charging higher than the select amount, they will be responsible for the cost.

"They can choose based on perception of quality, convenience and even tolerance to pricing...but it's their dime," Mr. Leavitt said. "It teaches them that for the first time they need to pay attention to pricing."

Karen Ignagni, president and CEO of America's Health Insurance Plans, the industry's Washington-based trade group, who also spoke during the panel discussion, echoed the statement that pricing is an "overriding problem."

"Whether it's outpatient service or prescription drugs...consumers need the ability to make choices when choosing services," she said.

This year's MBGH meeting attracted approximately 400 attendees. Next year's annual event also will be held in Chicago; however, dates and venue have not yet been determined.

## Flood: Mississippi River losses won't soak insurers

CONTINUED FROM PAGE 4

at Marsh in San Antonio, said businesses in high-risk areas can purchase up to \$500,000 in flood coverage from the NFIP. The insurance will respond to property losses, but does not provide business interruption coverage, she said.

Mr. Ellis said commercial property policies typically attach above the coverage provided by the NFIP.

Without the NFIP, insurers likely would write flood coverage that includes a large deductible, said Al

Tobin, national property practice leader with Aon Risk Solutions in New York.

"If it's available, you should be buying it," Mr. Tobin said of NFIP coverage.

Among businesses that were trying to ward off flood waters, Dallas-based Alon USA Energy Inc.'s unit in Krotz Springs, La., was constructing a levee.

The refinery is on the Atchafalya River, which is at risk of flooding from water released from the Morganza Spillway. Barge traffic and

access to oil pipelines would be interrupted, causing the refinery to operate at less-than-full capacity perhaps for several weeks, Alon said in a statement.

Coverage for preparations such as those by Alon would be covered under a property policy's "sue-and-labor" provisions, said Mr. Ellis. Such coverage pays for expenses incurred to protect property from "imminent damage," he said.

Business interruption insurance generally responds only when triggered by physical damage, Mr. Ellis said, but property policies typically respond if flooding causes "ingress and egress" problems that lead to losses because access to a facility is restricted.

## Commentary

# Terrorism backstop more important now

Two things are certain: Osama bin Laden is dead and the threat of terrorism did not die with him.

In fact, the threat could grow more pronounced in the future as his supporters and wannabes seek to use his death at the hand of U.S. Navy SEALs as an excuse for attacks.

Now that the euphoria over the mission's success has faded somewhat, it's time to start thinking about how best to make sure there is certainty about a third issue: the continued existence of the federal government's terrorism insurance backstop.

The backstop doesn't sunset until the end of 2014, which guarantees that it's going to be off official Washington's mind for a while. But if and when Congress decides to get serious about tackling the nation's debt and budget deficit, the backstop could receive some unwanted attention.

Bear in mind that the backstop itself costs next to nothing, and that any funds it might disburse to insurers after a catastrophic terrorist attack would have to be repaid.

But in recent years, government analyses using projected losses that are divorced from actuarial reality have concluded that the program—which has yet to pay even a single claim—costs the government money.

Ironically, the way the feds come up with this conclusion shows precisely why the backstop is needed. There is no way to underwrite the terrorism exposure, which differs significantly from, for example, a hurricane. Underwriters don't know exactly when or where a hurricane will strike but, because of more than 100 years worth of data, they can provide pretty good estimates of how great a loss will ensue if a hurricane of a given strength makes landfall at a given location.

There's no such record with terrorism.

We have had two catastrophic yet unrelated terrorist attacks on U.S. soil since 1995—the attack on the Alfred P. Murrah Federal Building in Oklahoma City in 1995; and the Sept. 11, 2001, attacks on New York's World Trade Center and the Pentagon. There is no way even the most skilled underwriter could have taken the first event—carried out by a native-born anti-government terrorist—and used it to figure out how to underwrite the ter-



**MARK A. HOFMANN**

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rorism exposure that confronted the World Trade Center before the 2001 attack, which was carried out by foreign-based Islamic extremist terrorists tied to Mr. bin Laden.

The death of Mr. bin Laden changes nothing about that. The terrorist threat remains. If some analysts are right, it's going to become even more dangerous in the months ahead. Odds are that Mr. bin

**The terrorist threat remains. If some analysts are right, it's going to become even more dangerous in the months ahead.**

Laden's supporters are going to look for revenge and will strike when and where they can, probably at U.S. targets abroad but quite possibly in the United States itself.

After all, some of the computer files recovered in the raid on Mr. bin Laden's hiding place in Pakistan indicate that there may already have been plans to strike U.S. transportation systems this Sept. 11.

The federal terrorism insurance backstop is critical to responding to such possibilities. Even though it won't have to be renewed until the end of 2014, it's not too early for supporters to begin mulling strategies to ensure the program's continued existence.

The death of Mr. bin Laden did nothing to diminish the need for the backstop. If anything, it makes a more compelling case for keeping the program in place—and the time to begin efforts to assure that it does so is now.

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*Because change happenz*



# Business Insurance OPINIONS

## Insurance panel needs risk managers' advice

A RISK MANAGER should be among those chosen to serve on the Treasury Department's new Federal Advisory Committee on Insurance.

We're certainly glad that the Risk & Insurance Management Society Inc. would like to see one of its members take a place at that new table. Just like RIMS' recent decision to establish a political action committee—RISK PAC—seeking a place for a risk manager on the new Treasury body is yet another sign of RIMS' growing political sophistication.

Getting a risk manager on the panel, however, won't be easy. As we report on page 3, half of the slots on the committee—which could have as many as 15 members—are reserved for insurance regulators.

Given that two nonvoting positions on the Financial Stability Oversight Council already are filled by members with state insurance regulatory experience, we think Treasury went a bit overboard in setting aside half of the positions on the advisory committee for regulators.

If the new committee is designed to provide expertise to Treasury and the new Federal Insurance Office, it has to have more than a little input from the marketplace. And who understands the commercial insurance marketplace better than risk managers? They are, after all, the consumers of commercial insurance.

We expect there will be considerable competition for places on the new committee as various stakeholders seek to have their voices heard. We believe that when the final decision is made about who will sit on the committee, one of those voices should be a risk manager.

*Who understands the commercial insurance marketplace better than risk managers?*

## Health care penalty rule unfair, needs revision

A BOMBSHELL contained in the health care reform law involves the employer responsibility provision, in which employers must offer coverage to full-time employees or pay a fine.

One part of the mandate has been clear ever since Congress passed the reform legislation last year: Except for the smallest firms, employers that do not offer coverage will pay an annual assessment of \$2,000 for each full-time employee.

But now another aspect of the mandate is getting attention. If just one full-time employee is not offered coverage and that employee is eligible for a federal premium subsidy to buy coverage through a state insurance exchange, the \$2,000 penalty applies to every full-time employee except the first 30.

If there is logic to such a requirement, it eludes us. Employers already paying thousands of dollars per employee to provide coverage for their workforces would face the prospect of having to pay thousands or even millions more in fines.

That's hardly an incentive to offer coverage.

Fortunately, the Treasury Department clearly shares employer concerns about the provisions, as we report on page 1, and is asking for comments on situations when the \$2,000 penalty should not be applied.

To us, the answer to that question is obvious: If a penalty is to be assessed, it should be calculated on the basis of those who do not have coverage, not those who do.



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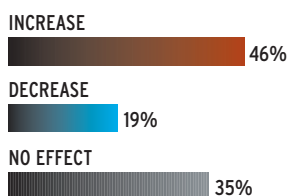
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Q Do you think the death of Osama bin Laden will increase, decrease or have no effect on terror attacks in the U.S.?



#### NEXT WEEK'S QUESTION

Q: Will the government make a profit from its bailout of AIG?

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## Products & Services

### Brit policy covers colleges, universities

**CHICAGO**—Brit Insurance Holdings N.V., a Lloyd's of London insurer, has developed coverage for higher education institutions in the United States.

The policy provides property and liability coverage for U.S. universities and colleges and will be underwritten exclusively through

Chicago-based Brit Insurance Services USA Inc., the insurer said in a statement.

The coverage includes auto, educators legal liability, campus security activities and student practices liability. It is underwritten on an excess and surplus lines basis on behalf of Lloyd's syndicate 2987, according to the statement.

Additionally, colleges and universities can access a Web-based risk management system that provides customizable training platforms, which is provided by Tulsa, Okla.-based in2vate L.L.C.

"We've specifically developed this new product to address the unique exposures of public and private colleges and universities," Nick Davies, executive vp of Brit

Insurance Services USA, said in the statement. "Its efficient blend of risk retention, risk management and risk transfer will allow the higher education community to unlock significant benefits."

For more information, contact Mr. Davies at 312-577-9450 or [Nick.Davies@britinsurance.com](mailto:Nick.Davies@britinsurance.com).

### Zurich Envoy targets multinational firms

**SCHAUMBURG, Ill.**—Zurich North America Commercial has introduced insurance coverage for multinational commercial organizations.

Zurich Envoy is an addition to the insurer's international programs suite and is designed for

midmarket U.S.-based companies with subsidiaries or offices abroad, the Schaumburg, Ill.-based unit of Zurich Financial Services Group said in a statement.

"Zurich Envoy helps midmarket multinationals navigate the complexities of doing business worldwide," Bill Skapof, head of international products for Zurich North America Commercial, said in the statement.

The package offers property, general liability, employee benefits liability, and employers liability, among other coverages and endorsements, according to the statement.

For more information, contact Mr. Skapof at 212-553-5752 or [william.skapof@zurichna.com](mailto:william.skapof@zurichna.com).

### Sedgwick CMS offers RMIS for iPads

**MEMPHIS, Tenn.**—Sedgwick Claims Management Services Inc. has made its Web-based risk management information system available on an iPad, among other enhancements.

Sedgwick CMS' RMIS, viaOne, offers users customizable risk management tools that help visualize and analyze their claims, the Memphis, Tenn.-based third-party administrator said in a statement.

By providing viaOne on the iPad platform, users can "proactively manage their risk management programs," Patrick Funck, chief information officer for Sedgwick CMS, said in the statement.

Other enhancements include co-branding opportunities such as custom pages with users' logos and color schemes and the ability to monitor activity of specific claims, according to the statement.

For more information, contact Donny Wiggins, director of software development, at 901-415-7893 or [donny.wiggins@sedgwick-cms.com](mailto:donny.wiggins@sedgwick-cms.com).

### Aon creates program for collateral deductible

**CHICAGO**—Aon Risk Solutions has developed a program to ease traditional collateral requirements.

The Aon Zero Collateral Deductible Program provides organizations an upfront, one-time fee based on their credit worthiness to assume the credit risk for the life of the program, the retail insurance brokerage unit of Chicago-based Aon Corp. said in a statement.

"In this challenging economic environment, collateral considerations are at the forefront of our customers' minds due to limited availability and associated costs," Tom Fitzgerald, executive vp at Aon Risk Solutions, said in the statement. "This product can significantly alleviate that burden and help organizations of any size maintain and enhance their strategic operational flexibility for future growth."

Aon has partnered with QBE Insurance Group Ltd. to offer the program.

For organizations that are approved, the collateral deductible program will eliminate costly credit-line fees, unlock credit line capacity and ease negotiations with insurers about releasing collateral, according to the statement.

To participate in the program, organizations must have annual losses of no more than \$5 million and an equivalent Standard & Poor's Corp. credit rating of BB+, Aon said.

For more information, contact Mr. Fitzgerald at 312-381-4282 or [tom.fitzgerald@aon.com](mailto:tom.fitzgerald@aon.com).



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# Catastrophes break critical links in supply chains

*Risk managers review strategies to limit supplier disruptions*

By MICHAEL BRADFORD

**VANCOUVER, British Columbia**—Supply chain risks are having their day in the sun due to a series of catastrophes that exposed complex vulnerabilities that companies face if a supplier is unable to provide goods or materials.

Risk managers are far more aware of their supply chain exposures as disasters, such as the earthquake and tsunami in Japan, have caused some companies to cut back operations because supplies were cut off, said experts who attended the Risk & Insurance Management Society Inc.'s Annual Conference & Exhibition.

"Two events, more than anything else, have brought (supply chain exposures) a lot of attention," said Doug Strohl, executive vp of Willis Insurance Services of Georgia Inc. in Atlanta. "The most recent one was in Japan and the one before that was the Icelandic volcano," which spewed ash and disrupted air travel, he said during an interview.

Both proved "that you never know what is going to interrupt your supply chain. It is clearly an area that is getting much more attention," Mr. Strohl said.

The Japan catastrophe has shown that "some of the best-

managed companies in the world have supply chain issues," said Jon Hall, executive vp at Johnston, R.I.-based Factory Mutual Insurance Co., which does business as FM Global.

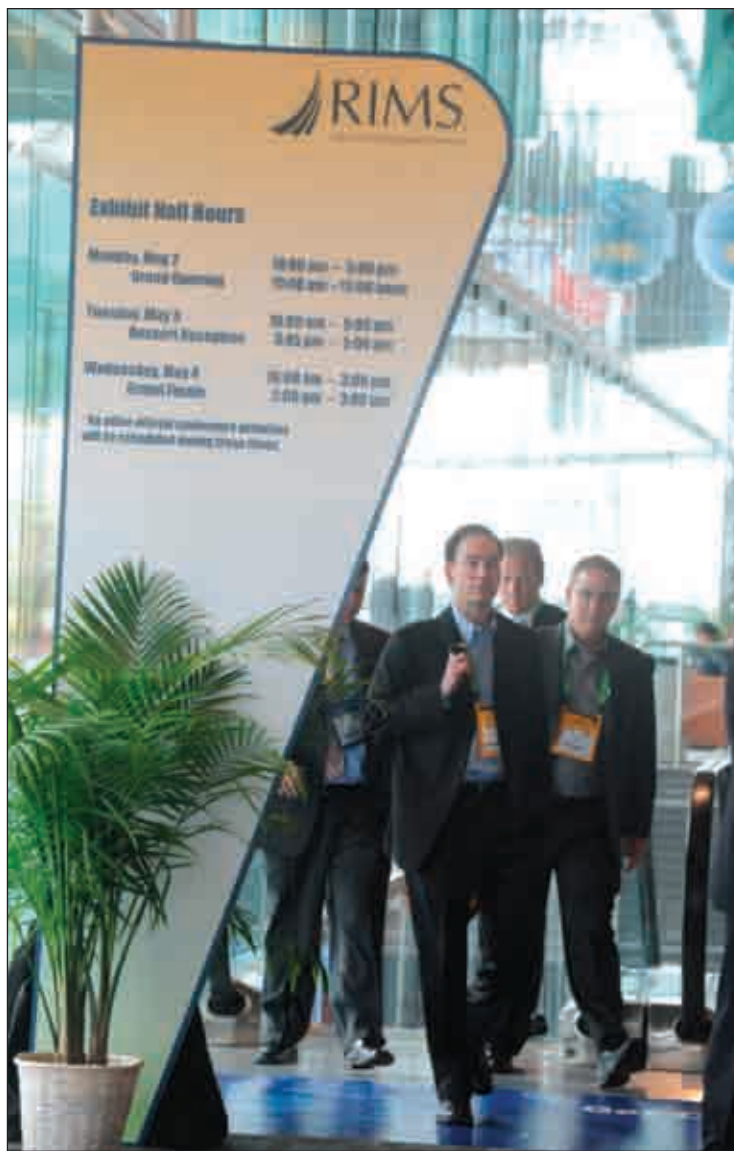
Large automakers based in Japan with operations in other parts of the world are "very, very fine companies and they have struggled with supply chain issues," Mr. Hall said.

The ripple effect of supply chain disruptions is important to companies of all sizes, according to Nancy Sher Cohen, a partner with law firm Proskauer Rose L.L.P. in Chicago.

"It is clear now that businesses are global, even if they are based in small-town America," Ms. Cohen said. "Whatever business you have has a global reach. Couple that with the fact that there are natural disasters we can expect over time, and you can see the ripple effect over the world economy."

The risk has grown in recent years as economies have become globalized and companies have relied on just-in-time inventories and outsourcing as they strive to become as efficient as possible, sources said.

Companies gain efficiencies by using such methods, "but the downside of it, obviously, is that you don't have control of the whole process anymore; it's not vertically integrated like it might have been several decades ago," Mr. Strohl said.



MICHAEL MARCOTTE

**A top talking point at the RIMS conference in Vancouver, B.C., was the supply chain risks exposed by recent catastrophes.**

As the supply chain exposure has gotten more attention, companies have grappled with how to cover it, experts said.

A lot of companies are under the impression that as long as their contracts with suppliers provide some protection against supply chain disruptions, "they don't have an issue," said Randy L. Nornes, executive vp with Aon Risk Solutions in Chicago. But, as recent catastrophes have shown, it may be "the supplier of your sup-

plier" where a disruption originates, he said.

The disruption could occur "even further down" the supply chain, said Nancy A. Green, Chicago-based executive vp, strategic account management at Aon Risk Solutions. Companies in many cases have not considered "how far down they need to manage the process," she said.

In the aftermath of recent

See **SUPPLY** next page

## Risk managers use experience to refine ERM

By MIKE TSIKOUDAKIS

**VANCOUVER, British Columbia**—Companies already deploying enterprise risk management say the financial crisis helped prove the value of ERM to their organizations.

The financial crisis brought ERM to the forefront for many senior executives, according to experts at the Risk & Insurance Management Society Inc.'s Annual Conference & Exhibition and research released during the Vancouver, British Columbia, gathering.

According to Aon Corp.'s biennial Global Risk Management Survey, ERM programs the respondents described as "operational" increased 8% to 24% and those

**31%**

Organizations with a chief risk officer rose from 25% in 2009 to 31% in this year. However, companies tracking their total cost of risk fell from 44% in 2009 to 39% this year.

described as "advanced" increased 5% to 12%. The survey included 960 responses of executives at private and public companies. The survey found that 7% of respondents are at the "initial/lacking" stage of ERM maturity.

In addition, organizations with a chief risk officer rose from 25% in 2009 to 31% in this year's survey. However, respondents tracking their total cost of risk fell from 44% in 2009 to 39% this year. Aon said not tracking the cost of risk could prove detrimental in the longer term.

Senior management increasingly wants risk managers to implement ERM within their organizations, according to a survey by Marsh Inc. and New York-based RIMS, called Excellence in Risk Management VIII: Greater Expectations, Greater Opportunities.

Eighty percent said expectations about company risk management departments have risen in the wake of the financial crisis,

according to the survey of more than 1,000 risk managers, C-suite and finance executives.

Pressure has been put on ERM to add value to the overall organization due to the financial crisis, said Tim Kelly, director of corporate risk for Country Financial Group in Bloomington, Ill.

While the crisis had little impact on the financial services and insurance company, "it really helped us make our ERM program stronger in terms of selling the concept to our management," Mr. Kelly said. "They were very interested in making sure they were aware of the risks that can cause further financial harm."

See **ERM** page 14

RIMS  
Conference  
Report

**SPOTLIGHT**

**BUYERS OFTEN FORGO INSURANCE COVERING SUPPLY CHAIN RISKS**

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**PAYCHEX DEVELOPS PEER REVIEWS TO ENHANCE ERM**

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**DELVE INTO THE DATA TO EVALUATE RISKS, FIND REWARDS**

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**RIMS SESSIONS RANGE FROM CAPTIVES TO BEDBUGS**

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# Supply: Cats break critical supplier links

CONTINUED FROM PAGE 11

catastrophes, some companies have changed their approach to the supply chain exposure, sources said.

Many are reconsidering whether they should consolidate suppliers as a way to streamline their operations, said Gary S. Lynch, managing director and global leader of Marsh USA Inc.'s international trade and supply chain risk practice in Morristown, N.J. "There is definitely a reassessment of the speed at which they are moving to a kind of lean operation," he said.

"It's great to take out inventory, synchronize the vendors and reduce the number of vendors," he said, but those moves "complicate resiliency" when it comes to the supply chain.

As for consolidating suppliers, companies "are really thinking twice about that now" as the risks involved have come to the fore, Mr. Lynch said.

Risk managers often are not in a position to manage the risk. While most companies are aware of supply chain risks, "no one owns it" in many cases, Aon's Mr. Nornes said. "Nobody is really able to invest the time to actually look at

it from an overall perspective."

"Risk management is a great place to do that because they have the skill set to think about it that way," he said.

But that generally is not the case, Willis' Mr. Strohl said. "It really hasn't been in their purview," he said of risk managers. Instead, the responsibility generally has gone to "the people in the company who are responsible for sourcing product" because they are the ones establishing supplier relationships, he said.

"If you did this in a perfect world, what you would want is someone to project-manage the

supply chain risk issue," said Mr. Nornes. "This is where you need someone to raise their hand and say, 'I'll run point on it, I'll meet with all the people who are connected—head of supply chain, logistics, operations, whatever the pieces are in a given company'" to manage the risk, he said.

Holly Daley, director, global risk management at Hitachi Data Systems Corp. in Santa Clara, Calif., said during a session at the conference that she has spent the past several years doing just that.

She said she has involved legal, tax, logistics and other departments "to bring the team together" to understand the supply chain exposure and its potential impact on Hitachi Data Systems.

## Buyers forgo supply chain insurance cover

**VANCOUVER, British Columbia**—Supply chain insurance has been a tough sell, experts say.

The coverage, which has existed for several years, responds to interruptions in a company's business regardless of whether there is physical damage, unlike most business interruption policies that require damage to trigger the coverage.

Buyers, though, have not been receptive to buying such insurance, which can provide limits of up to \$125 million, said Gary S. Lynch, managing director and global leader of Marsh USA Inc.'s international trade and supply chain risk practice in Morristown, N.J.

There is a lack of understanding among many risk managers that they need such coverage, Mr. Lynch said.

In addition, the cost of supply chain insurance may seem prohibitive if, say, a large company has thousands of suppliers that need to be prioritized, he said.

"The third barrier," he said, "is the barrier of connecting risk management with the operations executives in the business—procurement officers, global supply chain managers, a vp in charge of product lines—to convince them that, as part of managing the risk, they need to make an investment. The organization needs to make the investment into understanding the supply chain, identifying their vulnerabilities and then quantifying the exposures."

Buyer interest in all types of coverage to protect against supply chain losses is expected to pick up after the problems some companies have experienced in the aftermath of the March disaster in Japan, said Jon Hall, executive vp at Johnston, R.I.-based Factory Mutual Insurance Co., which does business as FM Global.

"There will be some companies looking at this and saying, 'This is more of a balance-sheet issue than we realized,'" Mr. Hall said.

Insurers, meanwhile, likely will take a closer look at their exposures, and prices could go up for supply chain coverage, sources said.

Underwriters also are more aware of their exposures after the Japan disaster, he said. "They know what can happen and will want proper pricing for it," Mr. Hall said.

—By Michael Bradford

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MICHAEL MARCOTTE

Several sessions at the recent RIMS conference in Vancouver, B.C., focused on enterprise risk management and how programs are developing.

# ERM: Risk managers refine approach

CONTINUED FROM PAGE 11

Initially, the financial crisis posed the question of whether ERM can actually help organizations understand and manage their risks, said Laurie J. Champion, managing director of Aon Risk Solutions' global risk consulting and enterprise risk management practice in Atlanta. Early high-level executive reactions to the financial crisis were, she said, "If ERM is so great, why didn't it catch this?"

"The reaction now, very thoughtfully, is there's value in ERM. But if we're going to do it, we need to do it right," Ms.

Champion said.

Frank Fiorille, director of ERM for payroll and human resource services company Paychex Inc. in Rochester, N.Y., agreed that the financial crisis reaffirmed ERM's place in the organization.

"If anything, it just reinforced what we were doing. I think it is part of our culture right now and we feel like we have a strong risk management apparatus in place and have tried to leverage that across all different business lines and disciplines," Mr. Fiorille said.

The financial crisis sparked more executive-level questions about complex risks, Ms. Champion said.

It also raised questions about the quality of risk management from regulatory bodies, investors and credit agencies, she said.

Standard & Poor's Corp., which formally introduced ERM in its ratings of insurance companies in 2005, formally integrated ERM in its ongoing reviews of nonfinancial companies in 2008, said Steven J. Dreyer, managing director of S&P's U.S. utilities and infrastructure corporate ratings in New York.

While the rating agency initially scored an organization's ERM effectiveness and then applied that to its rating, it now is integrated as part of S&P's overall assessment of management capabilities, he said.

"That's the way we apply ERM now," Mr. Dreyer said. "It elevated that management analysis from an operational level to more of a strategic level."

As a best practice, companies that can demonstrate that they have had successful experiences in applying risk management principles to their strategic decisions are ahead of the curve, Mr. Dreyer said.

Another best practice for an organization's ERM program is to move from strictly playing defense to playing offense, Mr. Fiorille said.

**'The reaction now, very thoughtfully, is there's value in ERM. But if we're going to do it, we need to do it right.'**

Laurie J. Champion,  
Aon Risk Solutions

"Focus on the upside of risk," he said. "You end up finding that a lot of this money, expense, time, resources and people that are in place to mitigate your risk...can (be turned) around to try and identify an opportunity as well and leverage that."

Country Financial's Mr. Kelly said it is important for an organization to know its overall risk relative to its tolerance of risk.

"It helps determine strategically, are you within your risk tolerance or not? If you are well within your risk tolerance, what are some additional opportunities you can take to use that capital? If you're outside that risk tolerance, what are you doing to mitigate those risks?" Mr. Kelly said.

Mr. Kelly advised ERM leaders to make sure they're working with the risk owners of the organization.

"The key word is work 'with' and not work 'for,'" Mr. Kelly said, noting that risk owners can decide that the risk is the responsibility of the ERM leader.

Mr. Fiorille advised ERM practitioners to start small when trying to obtain senior-level buy-in for ERM program.

Paychex operates under a heavy sales-driven culture, he said.

1

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# Paychex uncovers risks through peer review process

By MIKE TSIKOUidakis

**VANCOUVER, British Columbia**—As part of its enterprise risk management program, payroll and human resource services company Paychex Inc. developed a peer review program affecting all aspects of the organization.

The Paychex Peer Process Program, or P4, provides the Rochester, N.Y.-based firm with an independent evaluation of its business risk processes, said Paychex's Frank Fiorille, director of ERM, and Erika McBride, manager

**The peer review program is 'really trying to uncover and bring to senior management's attention key risks within that business or product.'**

Frank Fiorille, Paychex Inc.

of risk modeling and review, during a session at the Risk & Insurance Management Society Inc.'s Annual Conference & Exhibition.

P4 holds true to a basic ERM tenet: overcoming organizational

silos by using employees from various departments to "assess the adequacy of existing policies, practices and controls to acquire astute product strategies and facilitate efficient and responsible pro-

cessing," Mr. Fiorille said during the session.

"We have a lot of risk," Mr. Fiorille said during the session, noting that compliance, operating, audit, credit and banking risks are everyday exposures for Paychex.

The peer review program is "really trying to uncover and bring to senior management's attention key risks within that business or product," said Mr. Fiorille, who reports directly to Paychex CEO Martin Mucci and leads the risk management team.

The P4 review process begins by

identifying a possible risk area—a product or process within the organization—by preparing information on that area through due diligence and quantifying it with business statistics. The P4 lead reviewer will meet with the head of that area to gather more information and understand his or her concerns and challenges.

Once that information is gathered, a guest reviewer is selected to lead the P4 process, which usually is someone fairly knowledgeable about risk, but someone who is not married to the product or process. A P4 team is put together with individuals from different areas of the organization who often share similar concerns.

The P4 team works with the business unit for a week, and interviews their peers to understand the unit's function. The team then writes a detailed review of the product or process and shares it with the unit's leader.

"We work with the business all week on trying to really crystallize what that finding is, or what that issue is, or what that opportunity is," Mr. Fiorille said.

During the final phase of the review process, the team consolidates its findings and publishes a final report, which is distributed to the CEO, among others. Depending on the findings, follow-up is conducted based on the team's action plans.

The P4 program has generally been well-received by employees, Mr. Fiorille said. Many times, business unit leaders request a peer review to get a better understanding of their risks, he said.

"To me, that is the highest validation that it's working," Mr. Fiorille said.

## ERM: Refine programs

CONTINUED FROM PAGE 14

Because the risk management discipline often is quantitative and analytical, "instead of building risk and credit models, we used that heavy math, analytical discipline, to build some predictive models that really focused on the top line," Mr. Fiorille said. "We captured some small wins and then the senior management was willing to invest more money or to allow us to spread our wings and expand and put together a real good ERM framework."

Similarly, Mr. Kelly anchored Country Financial's definition of ERM using the company's core values of "straightforward, down to earth, reliable, easy to deal with, knowledgeable."

"When we started working with ERM, trying to get it ingrained in our culture, we needed to pay attention to those attributes," Mr. Kelly said. "We adopted the definition as part of our culture."

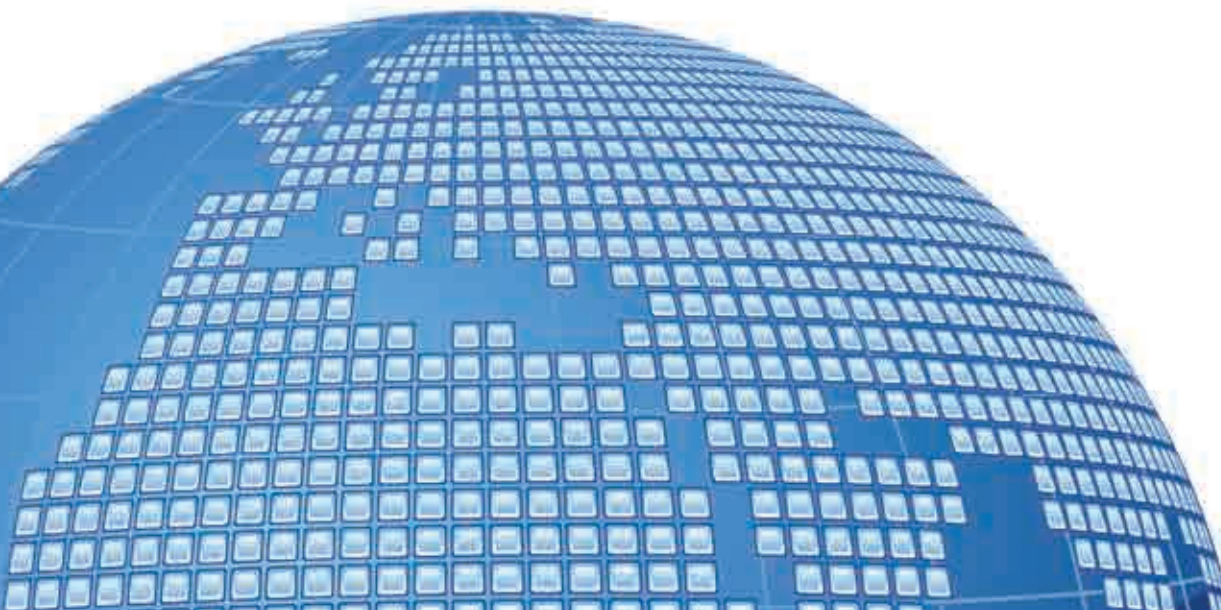
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# Risk managers delve into data to advance programs

By JOANNE WOJCIK

**VANCOUVER, British Columbia**—Risk managers looking to increase the influence of risk management in their organizations can make data an ally in their efforts, experts say.

Not only can data shed light on an organization's total cost of risk, benchmarking it against peers and identifying trends, it can be used to determine the best allocation of risk management resources, said Markie Davis, Denver-based risk management unit supervisor for

the state of Colorado.

"Risk managers are often expected to sell risk management," Ms. Davis said during a session at the Risk & Insurance Management Society Inc. Annual Conference & Exhibition. "The big challenge is speaking the language of your finance people. Preparing information in their language, for me, has always been really, really successful."

For example, by analyzing workers compensation claims, Ms. Davis was able to identify a surprising trend in work-related acci-

dents among state employees: Workers comp claims were far more frequent in the first year of service than in subsequent years.

"The first year was double what it was in year two. Generally, people follow the rules in the beginning. It's usually after they've been there a few years that they find the shortcuts or take off the guards on machines. That's when you really expect the injuries to go up," Ms. Davis said.

At first, she suspected the high frequency was attributable to poor training. But after drilling down

into the data, she discovered that the state was hiring individuals with pre-existing medical conditions that were exacerbated by the kind of work they were performing.

The discovery led to implementing post-offer, pre-employment functional capacity physical evaluations, which the state hopes will lead to a reduction in claims.

Aaron Shapiro, executive vp of Origami Risk L.L.C., a New York-based risk management information system provider who also spoke during the analytics session, advised risk managers to "start

with an allocation of where the money is going: claims, premiums, loss control programs, etc."

Risk managers generally have access to such information and use it to determine "chargebacks" of insurance costs to departments based on their individual claims experience, he said. But if risk managers would dig deeper, they may be able to identify the types of losses that are occurring and implement strategies that might prevent them, Mr. Shapiro said.

"If you really look at your costs, sometimes information starts to jump out," he said.

Such information can be a powerful ally for risk managers seeking to persuade upper management to implement new programs or to prevent cuts to effective loss-control strategies during tough economic times, he said.

With the state of the economy and shrinking risk management budgets, especially in government, "we've had to find ways to really use our information system to the fullest extent," Ms. Davis said.

In some cases, risk managers may be able to use such data to "tell your story to markets, to show that you may be paying too much based on your loss experience compared to that of your peers," Mr. Shapiro said. "It also may justify certain changes, such as raising retentions."

Ms. Davis said she used data analytics when she worked at a resort company to reduce the cost of coverage of its hurricane-exposed properties after Hurricane Katrina in 2005.

"We went to the underwriters in Bermuda and London in 2006 when everyone else with cat-exposed properties got a huge increase, but we actually saw a decrease," which Ms. Davis said resulted from the ability to demonstrate that its buildings were better built and didn't suffer as much damage as other properties in the affected areas.

"I know I'm a better risk. Why aren't I getting a better deal?" she said she asked insurers at the time.

Data analytics also can help risk managers determine whether they are buying too much coverage from a single insurer, which could put them in a difficult situation should the insurer fail, Mr. Shapiro said.

After the government bailout of American International Group Inc. in 2008, "I'm sure every risk manager's CFO called and asked, 'How deep are we into this particular carrier? If this carrier can't pay claims anymore, what does this mean for our cash flow?'" he said.

While some risk managers may have had that information, most risk managers probably had to call their brokers to find out their organizations' counterparty risk, Mr. Shapiro said.

But with good analytics, risk managers easily could build a chart showing allocation of coverage by line and by insurer during several policy years, which is especially helpful in lines of coverage with long tails, he said.

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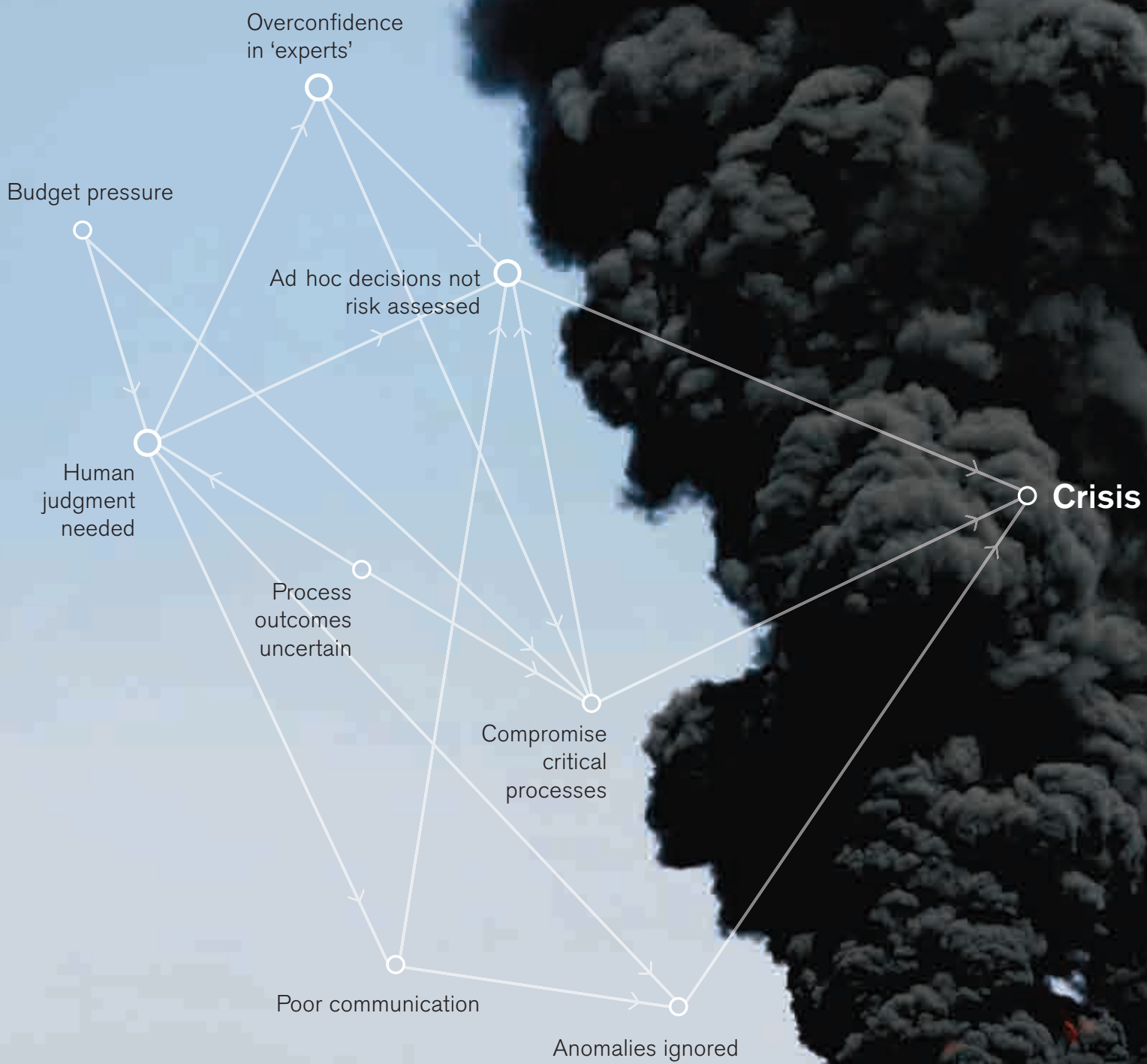
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## SESSIONS IN FOCUS

# Prepare captives early for next hard market

By MICHAEL BRADFORD

**VANCOUVER, British Columbia**—Risk managers considering forming or boosting the capital in a captive in anticipation of higher insurance pricing need to do so before the first signs of hardening, a panel of experts advises.

Whether the hard market is nearly at hand or further in the future divided panelists participating in a session at the Risk & Insurance Management Society Inc.'s recent conference.

In the meantime, risk managers should strive to convince senior management that continuing to accumulate capital in a captive to assume more risk when the market hardens is a good idea, said Mark L. Hubbard, executive vp with responsibility for enterprise risk management at the Loma Lin-

da University Medical Center in Loma Linda, Calif.

"Building capital, in my view, allows you to control your own destiny," said Mr. Hubbard. When the market turns and "underwriters want to overprice your business, then you're in a great position to assume greater risk and have greater control over your options," he said.

"If you wait to do all these things until we're in a hard market, it's too late," Mr. Hubbard said.

Connie Frambers, corporate manager of risk financing at SSM Health Care Corp. in St. Louis, agreed that leaders of organizations need to be aware early of the potential impact of a hard insurance market so they can plan how best to protect their organization's assets.

"A dramatic hard market shift can impact the ability of senior management to meet the risk and liability expectations of your board of directors," she said. A hardening will make some coverage less available and, in some cases, call for companies to increase retentions, Ms. Frambers said.

Bonita Boone, senior vp with Alliant Insurance Services Inc. in Chicago, who participated in and moderated the session, said risk managers have waited a little longer than normal for the hard market's arrival, which should not be far off.

"I really think that we are at the bottom of the soft market," Ms. Boone said.

Insurers typically come into a hard market because they see opportunities, she said. "But in this soft market, we've kind of had a contradiction in that we've had some new carriers come in," Ms. Boone said. The current market also is unique because rates have fallen for so long, she added. "We've had rate erosion for about seven years."

Others think the current market conditions could linger.

"This has been a very long soft market, but we don't see it changing quickly," said Sheila Hagg-Rickert, senior system director of risk management at CHRISTUS

Health in Houston. "There's nothing there that prompts us to think things could change fast."

In preparation for a market shift, "use a strategic plan for your captive," said Ms. Hagg-Rickert.

**'This has been a very long soft market, but we don't see it changing quickly. There's nothing there that prompts us to think things could change fast.'**

Sheila Hagg-Rickert,  
CHRISTUS Health

"Looking at a three- to five-year horizon and linking your strategic plan to the strategic plan of your parent organization, I think, is a helpful perspective."

SSM's strategic plan, she said of her company's Cayman Islands captive, "is linked to the parent's objectives in terms of risk tolerance and risk appetite. It contemplates changes in market condi-

tions because we know nothing lasts forever."

As the soft market has lingered, some risk managers have used favorable pricing to further their loss-control efforts.

Most insurance buyers have enjoyed reductions in their insurance premiums and total cost of risk in the current market, Mr. Hubbard said. "One of the things we try to do is use some of that money to reinvest in loss prevention. This is a way of making an investment at a time when our budgets are otherwise going to go down," he said.

Such investments should further reduce losses, Mr. Hubbard said. "Secondly, it really positions you, as we transition into a harder market, to be a preferred client. You'll have a great story to tell to the underwriters and brokers—that you've been making these investments and your loss experience has actually improved—so it differentiates you from other clients."

According to Mr. Hubbard, risk managers preparing for a hard market should sit down with their underwriters instead of relying solely on brokers.

"The old-school approach was for the broker to be in between the market and the client. I don't think that's true anymore, and I think it's incredibly important for you to develop a relationship and look eye to eye with your underwriter so that you can tell your story," Mr. Hubbard said.

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Notice is Hereby Given:

I. James J. Wrynn, Superintendent of Insurance of the State of New York ("Superintendent"), has been appointed by orders of the Supreme Court of the State of New York, New York County ("Court"), entered April 27, 2011 (the "Liquidation Orders"), as the Liquidator (the "Liquidator") of Atlantic Mutual Insurance Company ("AMIC") and Centennial Insurance Company ("Centennial") (collectively, the "Companies") and, as such, has been: (i) vested with all powers and authority expressed or implied under New York Insurance Law ("Insurance Law") Article 74, in addition to the powers and authority set forth in the respective Liquidation Orders; (ii) vested with title to AMIC's and Centennial's respective property, contracts, rights of action and books and records, wherever located, as of the date of entry of the Liquidation Orders; and (iii) directed to liquidate AMIC's and Centennial's respective business and affairs in accordance with Insurance Law Article 74. The Liquidator has, under Insurance Law Article 74, appointed Dennis J. Hayes, Special Deputy Superintendent (the "Special Deputy") as his agent to liquidate the respective business of AMIC and Centennial. The Special Deputy carries out his duties through the New York Liquidation Bureau, 110 William Street, New York, New York 10038.

II. The Liquidator may deal with AMIC's and Centennial's respective property and business in their respective names or in the name of the Liquidator.

III. The officers, directors, shareholders, members, depositories, trustees, policyholders, agents, servants, employees, attorneys, managers and affiliates of the Companies and all other persons other than the Liquidator and his agents are enjoined and restrained from: (i) wasting or permitting to be done any act or thing that might waste AMIC's and Centennial's respective property; (ii) transacting the respective business of the Companies or disposing of the Companies' respective property, except as authorized by the Liquidator; (iii) interfering with the Liquidator in the possession, control and management of AMIC's and Centennial's respective property or in the discharge of his duties; and (iv) disclosing the name, address or contact information of the Companies' policyholders, or any other information that is proprietary to the Companies' or not in the public domain, except as authorized by the Liquidator.

IV. All persons are enjoined and restrained from commencing or prosecuting any actions or proceedings against AMIC, Centennial, the Liquidator or the New York Liquidation Bureau, their present or former employees, attorneys or agents, with respect to any claims against the Companies.

V. All persons are enjoined and restrained from obtaining preferences, judgments, attachments or other liens, or making any levy against AMIC's and Centennial's respective assets or any part thereof.

VI. All parties to actions, lawsuits and special or other proceedings in which AMIC or Centennial is obligated to defend a party pursuant to an insurance policy, bond, contract or otherwise, are enjoined and restrained from proceeding with any discovery, court proceedings or other litigation tasks or procedures, including but not limited to conferences, trials, applications for judgment or proceedings on settlement or judgment and the making of all liens, levies or other efforts to execute or collect on debts or judgments for a period of 180 days from the date of entry of the respective Liquidation Orders.

VII. All persons who have first-party or New York Comprehensive Automobile Insurance Repairation Act (No Fault) policyholder loss claims against the Companies are enjoined and restrained from presenting and filing claims with the Liquidator for a period of 90 days from the date of entry of the respective Liquidation Orders.

VIII. The Liquidator is authorized, permitted and allowed to sell, assign or transfer any and all stocks, bonds or securities, and any real or other property of the Companies at market price or better, or if there is no market price, at the best price obtainable at private sale at such times and upon such terms and conditions as, in his discretion, he deems to be in the best interest of the creditors of the Companies, and he is further authorized to take such steps and to make and execute such agreements and other papers as may be necessary to effect and carry out such sales, transfers and assignments.

IX. The Liquidator is vested with all of AMIC's and Centennial's respective rights under all its contracts and agreements not previously terminated, including all leases, tax sharing agreements and employment contracts of the Companies, however described, unless the Liquidator expressly terminates any such contracts and agreements, in which case all liability under such contract or agreement shall cease and be fixed as of the date of termination.

X. All existing insurance policies of the Companies shall terminate within 45 days of the entry of the respective Liquidation Orders.

XI. AMIC, Centennial and each of its officers, directors, shareholders, members, depositories, trustees, policyholders, agents, servants, employees, attorneys, managers and affiliates, and all firms, corporations, associations and other persons or entities having any property and/or information, including, but not limited to, business records, insurance policies, claims files (electronic or paper), software programs, bank records and/or any tangible or intangible items of value, belonging to or relating to the Companies, shall preserve such property and/or information and immediately, upon the Liquidator's request and direction, assign, transfer, turn over and deliver such property and/or information to the Liquidator or his designees.

XII. Any person or entity providing claims processing services, data processing services, electronic records retention services or other information technology services to the Companies shall maintain and preserve all information in its possession relating in any way to the Companies, wherever located, including, but not limited to, all documents, data, electronic files and records, computer equipment (i.e., servers and printers), software programs and software licenses owned or leased by the Companies and are directed, upon the Liquidator's request, to promptly submit all such information to the Liquidator or his designees.

XIII. Any bank, savings and loan association, other financial institution or any other entity or person, which has on deposit or in its possession, custody or control of any of AMIC's and Centennial's respective funds, accounts or assets shall immediately, upon the Liquidator's request and direction: (i) turn over custody and control of such funds, accounts or assets to the Liquidator; (ii) transfer title of such funds, accounts or assets to the Liquidator; (iii) change the name of such accounts to the name of the Liquidator; (iv) withdraw funds from such bank, savings and loan association or other financial institution; or (v) take any lesser action necessary for the proper conduct of the liquidation proceeding.

XIV. In accordance with Insurance Law Section 7432(b), all claims against AMIC and Centennial, respectively, must be presented to the Liquidator within four months of the date of entry of the respective Liquidation Orders.

XV. Any distribution of assets shall be in accordance with the priorities set forth in Insurance Law Article 74.

XVI. Immunity is extended to the Superintendent in his capacity as Liquidator and his successors in office and their agents and employees and such immunity is extended to them for any cause of action of any nature against them, individually or jointly, for any action or omission by any one or more of them when acting in good faith, in accordance with the Liquidation Orders, or in the performance of their duties pursuant to Insurance Law Article 74.

XVII. The Liquidator may at any time make further application to this Court for such further and different relief as he sees fit.

XVIII. The Court shall retain jurisdiction over this matter for all purposes.

XIX. All communications relating to AMIC, Centennial and to the liquidation thereof should be addressed to: New York Liquidation Bureau, 110 William Street, New York, New York 10038, (212) 341-6560.

JAMES J. WRYNN, Superintendent of Insurance of the State of New York as Liquidator of Atlantic Mutual Insurance Company and Centennial Insurance Company

DENNIS J. HAYES, Special Deputy Superintendent of Insurance and Agent for the Superintendent as Liquidator of Atlantic Mutual Insurance Company and Centennial Insurance Company

# Tiny bugs create outsized risks

By MARK A. HOFMANN

**VANCOUVER, British Columbia**—Bedbugs may be small, but they can create big problems for commercial property owners and others.

Bedbugs also may take the biggest bite out of a company's reputation, experts said during a panel discussion at the Risk & Insurance Management Society Inc.'s recent Annual Conference & Exhibition.

"The big numbers are all attached to reputational risk," said Marshall N. Glinksky, a shareholder at New York-based law firm Anderson Kill & Olick P.C. A huge "ick factor" is associated with the bugs. A company associated with bedbugs can suffer a tremendous hit to its reputation, which could mean loss of revenue when potential guests skip infested hotels.

"It's an issue that is best handled if you confront it and take care of it," said Mr. Glinksky. A bedbug infestation can have a "tremendous ripple impact on business," and not just hospitality businesses, he said. "The big exposure is reputational exposure."

Another panelist outlined reasons why bedbugs appear to be on the rise.

Increasing travel is a key factor,

said Kevin J. Madden, managing director of Chicago-based Aon Corp.'s Aon Risk Solutions in New York. Bedbugs are extraordinarily portable, he said. Restrictions on the use of pesticides such as DDT that work against bedbugs also play a role, he said.

The top three areas for bedbugs are cinemas, hotels and rental cars, said Philip D. Flanary, vp-risk management for Dallas-based Ashford Hospitality Trust Inc. The bugs, which he said have an average life span of about 10 months, also have begun showing up in office buildings as well as more traditional environments.

Mr. Glinksky said a common misassumption about bedbugs is that their presence is a cleanliness issue. Instead, it's an issue of people bringing them into an environment on their clothing or in their luggage.

Ashford's Mr. Flanary said the bugs can be detected by a variety of methods, including by employees, canine scent detection and monitoring devices. They can be dealt with by using pesticides, fumigation, superheating the infested premises or subjecting the creatures to extreme cold, he said.

But Mr. Madden pointed out that dealing with the issue carries a price: The use of pesticides or

fumigation to rid a room of bedbugs can take a room out of service for a week or so, with an accompanying loss of revenue.

Mr. Madden said insurance is available for third-party claims. He said he knew of no bedbug coverage exclusions in commercial general liability or workers compensation policies. Hospitality industry entities can purchase "loss of attraction" coverage in property policies, which doesn't cover the replacement costs of bedding or the cost of hiring an exterminator, but can cover lost revenue.

Mr. Glinksky said several legal theories have been cited in lawsuits alleging damage from bedbugs—including negligence, breach of implied warranty of habitability, nuisance, battery and even fraud.

But, "the hard dollars associated with the claims are not really big," said Mr. Glinksky. He said bedbug claims are "not an exploding area of personal injury law." Oddly enough, a lot of the cases are brought by lawyers on behalf of themselves or family members, he said.

"The plaintiffs bar is not chasing these cases" because payouts have been relatively small, Mr. Madden said.

## SESSIONS IN FOCUS

# TPA monitoring improves results

By **ROBERTO CENICEROS**

**VANCOUVER, British Columbia**—Third-party administrators need active employer oversight to keep their workers compensation claims adjusters motivated, several risk managers said.

"I don't care what kind of program you have—guaranteed-cost, large-deductible or self-insured—you have to actively manage your TPA because your TPA is only as good as you manage them," said Carla Wynn, Philadelphia-based assistant vp of strategic claims management for ARAMARK Corp.

"If you actively manage the process, you are going to get good results," Ms. Wynn said during a panel presentation at the Risk & Insurance Management Society's Annual Conference & Exhibition moderated by Mark W. Walls, assistant vp of claims for Safety National Casualty Corp. in St. Louis.

Obtaining good results also requires coaxing, they said.

When Hilton Hotels Corp. held quarterly telephone calls with its TPA's adjusters, the adjusters often failed to share information such as their observations on adverse claims trends, said Peggy Crook, Hilton's director of global claims in McLean, Va.

"It sounds basic, but we were not getting the feedback we needed," Ms. Crook said.

So Hilton sponsored webinars to teach the adjusters to communicate with Hilton's claims staff, hotel managers and defense counsel, she said.

To encourage the adjusters to better contain attorney costs, Hilton last year began tracking each adjuster's management of attorneys to how well each attorney they work with adheres to a budget, Ms. Crook said.

"They will never say to the attorney, 'Why are you doing that? We don't need that,'" Ms. Crook said. "And that is what I expect them to do."

For optimal attorney management, employers should develop their own litigation protocols that fit their claims needs rather than passively accept the TPA's protocols, said Becky Robinson, assistant vp of risk management for Hobby Lobby International Inc. in Oklahoma City.

Many companies "rely on their TPA's protocols and litigation guidelines and they don't provide input," Ms. Robinson said.

Ms. Robinson said her firm's TPA also is helping the employer track litigation expenses and settlement records by attorney.

TPA's "can do just about anything if you ask them," she said.

Hobby Lobby and ARAMARK

purchase TPA services from Sedgwick Claims Management Services Inc. Hilton also is a Sedgwick customer through its April purchase of Specialty Risk Services L.L.C..

Sedgwick does a good job, but adjusting claims is tedious work, so ARAMARK motivates adjusters by offering incentives, such as lunch and a handwritten thank-you note, if they meet set closure rates, Ms. Wynn said.

Ahold USA Inc., a unit of Amsterdam-based international retailer Royal Ahold N.V., owns a subsidiary whose internal adjusters manage the company's claims, said Libby Christman, Ahold USA's senior director of risk management in Carlisle, Pa.

Even though the adjusters are Ahold employees, she still cultivates their engagement in and adherence to return-to-work policies, safety practices and guidelines on interacting with operations managers, she said.

To that end, she said she encourages the adjusters to visit Ahold's retail stores and warehouses so they understand how the operations work. That helps them ask the right questions when investigating claims.

## Workers comp exposures go mobile

By **ROBERTO CENICEROS**

**VANCOUVER, British Columbia**—Employers should take measures to protect themselves from workers compensation claims arising from the growing number of mobile employees, speakers said at the Risk & Insurance Management Society Inc.'s Annual Conference & Exhibition.

There are millions of employees using smartphones and other communication devices to complete work around the clock and outside the traditional workplace, the speakers said.

Although employers are not mandating that employees be available constantly via communication devices, workplace demands clearly are pressuring workers to do so, the speakers said.

"It's creating a tremendous amount of tension in the workplace," said Maureen McCarthy, senior vp and manager of workers comp and managed care commercial markets for Liberty Mutual Group in Boston.

"Organizations are urging employees to explore and feel comfortable having the proper work-life balance," Ms. McCarthy said. "On the other hand, (employers are) giving them all these devices they can take home when they are theoretically off from work."

Yet there is little case law to help determine when employers are responsible for worker injuries sustained while conducting business via mobile device. That has made it more difficult to determine whether an injury occurred during the "course and scope" of employment and compensable under workers compensation laws, the speakers said.

For example, there remains little or no case

law determining whether someone is eligible for workers comp should they slip and fall while simultaneously walking and using a BlackBerry to conduct work while on vacation, Ms. McCarthy said.

Similarly, there is a lack of case law establishing whether someone is eligible for workers comp benefits who has left work but is injured while driving and simultaneously using their cell phone to finish up business, she said.

Yet those types of scenarios are becoming more common, potentially broadening liabilities for employers and insurers, the speakers said.

Expect to see insurers defend against such claims, said Charles F. Martin, managing director in the risk consulting practice for Marsh USA Inc. in Norwalk, Conn.

"You are going to see insurance companies, and even major ones, be very conservative in how they respond to these losses," Mr. Martin said. "Remember, once they accept one of these losses, they are probably going to (have to) accept them in the future."

To protect themselves, employers may want to provide employees with a contract when they give out mobile communications devices, said Michael L. Liebowitz, director of insurance and risk management for New York University.

"You can clearly define course and scope" of employment in such a document and remove any gray areas, Mr. Liebowitz said.

Risk managers also may want to establish their company's risk tolerance for claims generated by mobile workers and enlist the help of corporate human resources to develop policies on the use of mobile communications devices, he said.

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## SESSIONS IN FOCUS

# Corruption leads to D&O claims

*Companies liable as U.S. increases FCPA enforcement*

By MIKE TSIKOUDAKIS

**VANCOUVER, British Columbia**—Increased U.S. enforcement of the Foreign Corrupt Practices Act can intensify directors and officers liability claims, senior industry executives said.

Lessons learned when doing business outside the United States, compliance program best practices and insurance coverage are the best ways organizations can protect themselves from D&O liability, panelists said during the Risk & Insurance Management Society Inc.'s Annual Conference & Exhibition in Vancouver, British Columbia.

The FCPA, a federal law with criminal and civil penalties jointly enforced by the Department of Justice and the Securities and Exchange Commission, punishes foreign bribery, inaccurate financial records and inadequate controls, the panelists said.

The law's anti-bribery provisions apply to publicly traded U.S. companies, their officers and employees that offer a form of payment to a foreign government

official for the corrupt purpose of gaining or retaining any improper business advantage, said Christopher Mango, vp and director of corporate risk management for Hartford Financial Services Group Inc. in Hartford, Conn.

Since 2008, FCPA enforcement trends show that the size of the penalties are increasing, and seven of the 10 largest FCPA settlements occurred in 2010 and 2011, said Steve Shappell, managing director of Aon Corp.'s global legal and claims practice in Denver.

"In recent years, there has been an absolute explosion" regarding FCPA enforcement, Mr. Shappell said.

After the 2008 financial crisis, the U.S. government increased its FCPA resources in 2010, he said.

Other enforcement trends include a heightened due diligence on third-party business partners, such as acquisition targets; a broader definition of what constitutes a "foreign official;" and the SEC's control-person liability standard, which seeks the prosecution of individuals.

"Control-person liability will change the game," Mr. Shappell said. "It's going to create a flood of litigation."

Through lessons learned in recent years, the panelists identified high-risk geographies, trans-

actions, business relationships and industries for FCPA case activity. These include oil and gas, mining, infrastructure, telecommunications and technology industries in countries such as China, Indonesia, Iraq, Nigeria and Mexico.

High-risk transactions and business dealings include using intermediaries to bribe officials; payoffs to custom officials; and travel, entertainment and other gifts.

For organizations to mitigate FCPA exposures, the anti-corruption compliance program should be assigned to a senior-level official with proper authority and resources. Clear policies that prohibit bribery should be adopted, Mr. Mango said.

Also, companies can conduct anti-corruption-focused reviews through monitoring and auditing procedures and by "targeting your internal audit to your most at-risk areas," he said.

Common D&O claims resulting from FCPA investigations include securities class actions, derivative demands and derivative suits. D&O coverage extends to claims against directors and officers as well as defense costs, damages, investigative costs for derivative demands and disgorgement of profits on contracts secured with improper payments.

## UP Comings & Goings CLOSE



### DAVID GHIGLIERI

**NEW JOB TITLE:** London-based director of U.K. operations, XN Financial Services (U.K.) Ltd.

**PREVIOUS POSITION:** London-based development manager for Towergate Risk Solutions, a subsidiary of Towergate Underwriting Group Ltd.

**GOALS FOR NEW POSITION:** To develop the interests of XN Financial in the U.K. and Europe and to promote its products uniformly to the broker and retail community. XN Financial was founded to fill insurance product and professional service voids in the international mobility market. The vast majority of domestic insurance products are not a reliable solution for people who pursue an international lifestyle and/or conduct global business activities.

**INDUSTRY OUTLOOK:** Market forces are provoking a consolidation process for both brokers and insurers; and this, to a great extent, (is) reducing competition and can be seen as limiting a customer's choice. Furthermore, compliance issues, although necessary for

consumer protection, are forcing many brokers to reconsider the efficiencies of their own operations. This is providing for a greater internal focus rather than a broker concentrating exclusively on client service and satisfaction.

**FIRST MARKET EXPERIENCE:** My first-ever job in insurance was working with Sedgwick in London in the post room. This very junior position made me realize that I wanted to climb up that corporate ladder; and since then, I have worked in many parts of the United Kingdom and overseas and I have gathered a wealth of experience.

**ADVICE:** The only advice I can give to any professional is to always be yourself and be honest. Integrity in business counts for more than anything else.

**MOST PASSIONATE ABOUT:** My main passion relates to making sure that I find the balance between work and personal life. In all the years that I have worked, I have never managed to find this balance and it remains my panacea.

## Got computers? Then you have cyber risks

By MARK A. HOFMANN

**VANCOUVER, British Columbia**—Any company that has a computer network and maintains confidential information is exposed to cyber risk.

Fortunately, there are steps that risk managers can take to reduce their exposure to this risk, a panel of experts told a standing room-only discussion of the issue at the Risk & Insurance Management Society Inc.'s Annual Conference & Exhibition in Vancouver, British Columbia.

"Many security breaches are due to old-fashioned human error," said Richard Billson, vp-proposition development for Zurich North America Commercial, in New York. No matter the economic sector in which they're employed, risk managers are on the front line of defense against this peril, he said.

Top perils include hacking, laptop loss containing client data, backup tape loss, staff mistakes such as data leaks, denial-of-service attacks, and business partner mishaps and breaches, said Mark Greisiger, president of Gladwyne, Pa.-based Net-Diligence, which provides cyber risk management and information security services and is the marketing arm of Network Standard Corp.

With so many moving parts and open windows involved, even relatively simple things can trigger litigation, he said. It is a threat that must be managed daily by companies of all sizes, said Mr. Greisiger.

Several factors contribute to the problem, he said. Companies collect more data than they need, often for marketing purposes; data is stored too long; and most websites are very porous, Mr. Greisiger said.

"The bad guys rely on human error," he said.

For example, "nasty software" can be loaded into a system when somebody plugs what appears to be a lost electronic notepad, said Robert Parisi, senior vp at Marsh USA Inc.'s FIN-PRO practice in New York. Education is a big problem, he said.

Risk managers need to stay vigilant, said Mr. Greisiger.

In a display shown behind him as he spoke, Mr. Parisi outlined a series of best practices to deal with the exposure.

For example, placement of coverage is the last step in the process. "Insurance is never a valid alternative to good risk management," he said.

He also said that relying on technology as a "silver bullet" to defend against all risks "is to turn a blind eye to major risks facing every commercial entity."

The best approach to cyber and privacy risk combines elements of assessment, remediation, prevention, education and risk transfer, said Mr. Parisi. He noted that there are about 25 to 30 markets for those risks right now.

"Our most critical asset is our reputation," said Victoria Telford, director-global insurance and risk management for HanesBrands Inc. in Winston-Salem, N.C. Insurance won't restore reputation, she said.

Controlling losses is critical, but finding a champion—either one's boss or someone in the information technology department—is key to making the case for greater cyber security, she said. Chief financial officers are "very data-driven" and providing detailed information about cyber attacks is critical.

## Comings & Goings ONLINE

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# Gallagher: Rival buys Heath Lambert

CONTINUED FROM PAGE 3

been looking at increasing its presence among large accounts. One plank of that strategy is being able to better serve multinational companies."

He said the move will enhance Gallagher's presence in the United Kingdom. "I think it's a better platform to reach out to continental Europe, and I think that this is a significant step toward making Gallagher more global," Mr. Shields said. "It certainly doesn't look like they overpaid," he added.

"Obviously, London is one of the biggest insurance markets in the world, and it clearly ups their game in that market," said Mark Dwelle, an insurance analyst at RBC Capital Markets, a unit of RBC Dominion Securities Inc. in Richmond, Va. "It has to help,

**'I think it's a better platform to reach out to continental Europe, and I think that this is a significant step toward making Gallagher more global. It certainly doesn't look like they overpaid.'**

Meyer Shields, Stifel Nicolaus & Co. Inc.

particularly in the specialty risk lines, because it gives them better access to Lloyd's, and Lloyd's writes a tremendous amount of U.S. specialty business."

"This is an excellent strategic

acquisition for Gallagher on several fronts," said John Ward, CEO of Cincinnatus Partners L.L.C. in Cincinnati.

He said Heath Lambert's niche orientation complements Gal-

lagher's own business. In addition, it helps Gallagher achieve its "growth objectives at a time when organic growth in this segment is nonexistent." He added that the "transaction has good fundamental economics for Gallagher without adding incremental leverage."

"We view this transaction as a modest positive for AJG as we believe it provides the company with a solid U.K. franchise at a decent price," Dean Evans, an analyst with New York-based Keefe, Bruyette & Woods Inc., said in a research note. "We remain somewhat cautious given its size as this is AJG's largest deal ever and we believe an international transaction always comes with additional risk."



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# Panel: RIMS seeks seat on FIO body

CONTINUED FROM PAGE 3

ance industry at the federal level is important," said Leigh Ann Pusey, president and CEO of the American Insurance Assn. in Washington. "All of us are still reviewing what few details we have about this, but I think everybody in the industry will be looking for the opportunity to participate."

Ms. Pusey said while she could not say whether the AIA would seek a seat on the panel, "the opportunity for us is to suggest some quality candidates for this committee, given the critical importance it will have for the industry."

The Property Casualty Insurers Assn. of America praised the move as well.

"We are pleased that Treasury is seeking expanded expertise on insurance issues," Ben McKay, senior vp-federal government relations in PCI's Washington office, said in a statement.

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# Social: Small, midsize firms overlook online risks

CONTINUED FROM PAGE 1

largest U.S. firms.

Small and midsize businesses rarely purchase social media coverage, say several experts who cited anecdotal evidence.

"They've been very slow to react," said Richard Betterley, a Sterling, Mass.-based risk management consultant president of Betterley Risk Consultants Inc. and author of the bi-monthly Betterley Report, a guide for risk managers on specialty insurance products.

The reasons for small- and mid-market businesses' reluctance to purchase coverage to address media liability risks—whether as a stand-alone policy or as an addition to an existing policy—are as varied as the risks themselves.

Mr. Betterley estimates that all media liability coverage purchased in the United States totaled about \$200 million during 2010, about the same as 2009. The data does not break out purchases by company size.

## Few suits filed

Mr. Betterley said one probable reason owners of small businesses tend not to buy coverage is their assumption that their online communications, even through third-party platforms, don't rise to the level of publishing. Another cause may be the lack of documented instances in which owners of small businesses have been sued based on their social media activities, he said.

"Right now, those risks are mostly theoretical," Mr. Betterley said. "I always say that you really don't want to be the first to suffer a big claim, but it's hard for a smaller business to buy insurance on that basis."

To date, most defamation, libel and copyright infringement claims have been filed by businesses against individuals; Courtney Love and Kim Kardashian are two notable examples. But if claims against businesses for their social media activities become more prevalent, it could drive insurers to tighten restrictions on general liability and other coverage, forcing employers to seek protection under separate media liability policies.

"We're going to have to wait and see how the general liability market reacts to having claims come up, and whether or not carriers are going to start getting more restrictive," said Joanne Richardson, the New York-based managing director of U.S. media at Hiscox Ltd. "That's definitely the direction that the market is moving in, but there just haven't been enough cases against those (general liability and employment practices liability) policies yet."

Another errant assumption on the part of small and midmarket businesses using social media or whose employees use social media is that their current coverage is adequate, said Bradley S. Shear, Bethesda, Md.-based managing partner of the Law Office of

Bradley S. Shear L.L.C. who handles social media cases and blogs on the subject.

CGL policies often include advertising injury, but can exclude copyright and trademark infringement. Insurers also have expanded EPL policies in recent years to include communications via social media, but that might cover only communications between employees. At minimum, Mr. Shear said, every employer should

because their audience is limited, but a small audience is no defense should there be a lawsuit, said Paul Paray, an intellectual property attorney and of counsel with Wilson Elser Moscovitz Edelman & Dicker L.L.P. in Florham Park, N.J.

"You could do things that you think are innocent and assume that not many folks are going to read it, or that it's your opinion or merely hyperbole so it should be



**SOCIAL MEDIA WEBCAST**

Business Insurance's "Friends & Foes: Best Practices for Social Media Risk Management" live webcast will be May 25 from 2-3 p.m. EDT. To attend this live online webcast, please register at [www.businessinsurance.com/webcasts](http://www.businessinsurance.com/webcasts).

thoroughly review its existing insurance for gaps in coverage.

"Companies really need to understand the legal implications of their social media usage. One false move can really destroy everything you've built," Mr. Shear said. "Is your business really worth one misguided tweet?"

## Audience size doesn't matter

Some smaller firms might assume that their social media activities don't equate to a liability

protected, but that doesn't mean you won't get sued." Mr. Paray said. "With regard to liability, the fact that it only goes out to a few folks as opposed to thousands is not really a factor."

Sheer economics are likely a factor in small and midsize employers' hesitance to buy media liability coverage, said John Scirocco, president and CEO of the Hasbrouck Heights, N.J.-based brokerage Scirocco Group. As risk managers continue to identify overlap-

ping risks in media, data protection, advertising and employment practices, the ability to justify the cost of coverage is primarily the province of larger companies, he said.

"These new portfolios for overlapping risks are really geared towards the larger, more sophisticated clients," Mr. Scirocco said. "There's a price point beyond which it's not really cost-effective for small businesses to pursue that coverage. To some extent today, it's still a little bit out of reach."

At the very least, many brokers and insurers advise companies to have internal rules governing company-sanctioned online communication as well as employee use of social media as it relates to the business.

In an April 2010 survey of 1,000 consumers conducted for Warren, N.J.-based Chubb Group of Insurance Cos., 64% of the respondents said their employer had no policy for talking about the company on social networking sites. More recently, Chubb's April survey of 1,000 consumers found that 51% of employers do not prohibit respondents from posting information about their company or their job on social media sites without authorization.

"If you don't have a policy in place, and there's nothing to refer to when there is a litigation or someone alleges that you violated a regulation, you have no way of showing that you had preventive measures in place before some employee went out and did whatever they did," said Peter Foster, a senior vp at Willis North America's Boston office.

# Penalty: Cover mandate raises new fears

CONTINUED FROM PAGE 1

the...assessable payment may not be appropriate."

"It is fair to say the notice suggests that Treasury is open to an interpretation that would involve some flexibility," said Mark Iwry, a Treasury Department senior adviser to the secretary and deputy assistant secretary for retirement and health policy.

Mr. Iwry said Treasury and the Internal Revenue Service want to hear from employers and others about situations in which the assessment would not be appropriate.

"We want to hear from stakeholders on this. People may suggest, for example, that exceptions are needed for particular types of or categories of employees," he said, adding that Treasury would like to publish proposed regulations on the issue this summer.

Without regulatory flexibility, there could be situations in which an employer could face the full force of the assessment even though it offered coverage to all, or virtually all, of its full-time employees.

One common situation, benefit experts say, involves employers that do not offer health care coverage to part-time workers working less than 30 hours a week.



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But in any given month, a part-time employee might work more than an average 30 hours a week. As experts interpret the law, if that employee received a premium subsidy to buy coverage in a state exchange, the assessment would be applied on all full-time employees.

The \$2,000 assessment is applied monthly, so if one full-time employee was not offered coverage, the employer would pay about \$167 for each month for each of its full-time employees, excluding the first 30 employees.

Take the case of an employer with 100,000 full-time employees and one

part-time employee who worked more than 30 hours a week in a month. In that situation, as experts read the law, the employer would be liable for an assessment of nearly \$16.7 million.

"Intuitively, this isn't logical, but that is what the law says," said Anne Waidmann, a director in PricewaterhouseCoopers' Washington office.

But observers are optimistic that Treasury will prevent such scenarios.

Regulators have "shown a continued sensitivity to developing workable rules for the health care reform law," said Andy Anderson, a partner with Morgan, Lewis & Bockius L.L.P. in Chicago.

For example, after protests last year, regulators revoked a requirement that would have stripped "grandfathered" status from a health care plan if the employer changed insurers. Grandfathered plans are exempt from certain health care reform law requirements, such as providing full coverage for preventive services.

And the opportunities for employers to influence the outcome of regulations should increase. While the Jan. 1, 2011, effective date of several reform law provisions gave regulators little or no ability to get public comments while developing interim final regulations for those provisions, many others, like the requirement that employers offer coverage or pay as assessment, don't take effect until 2014.

That will give regulators time to solicit and review public comment before finalizing proposed rules. "We prefer to go the proposed regulation route in order to obtain the benefit of public comment before rules take effect," Treasury's Mr. Iwry said.

# Twisters: Losses may hit \$7B

CONTINUED FROM PAGE 4

Mississippi and Tennessee killed approximately 350 people and caused up to \$2 billion in insured losses in Alabama alone.

How commercial properties will factor into the insured loss estimates remains unclear.

So far, Columbus, Ohio-based Nationwide Mutual Insurance Co. said it has received more than 2,700 claims for commercial property damage caused by the April storms. In Mississippi, as many as 135 businesses were damaged or destroyed.

As rampant as the devastation was, industry observers say the storms will have little, if any, impact on rates in the direct insurance or reinsurance markets. But when tethered to catastrophes in Japan, Australia and New Zealand, the picture changes, experts say.

Lara Mowery, managing director at New York-based reinsurer Guy Carpenter & Co. L.L.C., said the April U.S. storms could contribute to a reinsurance market "in transition."

While rates for January U.S. catastrophe reinsurance renewals were down 6% to 10% and were expected to remain soft, that was before the disaster in Japan. Instead, Ms. Mowery said, April 1 reinsurance renewals reflected a "flat to slightly up reinsurance environment."

"In terms of a bigger picture, (the storms) are one more event to add to the list," Ms. Mowery said. "By themselves, they wouldn't have had any broad impact."

## News In Brief

CONTINUED FROM PAGE 1

firm. As a result of the March 11 earthquake in Japan, estimated net claims before taxes for Lloyd's insurers totaled about \$1.95 billion. Another \$1.2 billion in claims resulted from the New Zealand earthquake, and losses are estimated at \$650 million from floods in Australia, Lloyd's said.

### Japan quake, tsunami losses could reach \$39B

A new estimate from EQECAT Inc. predicts insured losses resulting from the March 11 earthquake and tsunami in northern Japan could be as high as \$39 billion. EQECAT previously had pegged insured losses in Japan to fall between \$12 billion and \$25 billion. In a statement, the catastrophe modeling firm said new complications from liquefaction and landslides, widespread disruption of electricity and transportation, and the ongoing trouble at the Fukushima nuclear power plant were the primary drivers of its new, elevated estimate.

### House committee OKs extending NFIP to 2016

The House Financial Services Committee gave its unanimous approval Friday to a measure that would extend the National Flood Insurance Program for five years. Under the bipartisan Flood Insurance Reform Act of 2011, the NFIP would remain in place until Sept. 30, 2016, rather than expire on Sept. 30 of this year, as slated. H.R. 1309 would phase in risk-based premiums and reduce subsidies for certain properties such as high-risk buildings subject to repeat claims.

### House panel backs medical malpractice bill

A U.S. House committee has approved legislation that would reform medical malpractice law. The House Energy and Commerce Committee voted to approve the Help Efficient, Accessible, Low Cost, Timely Health Care Act. H.R. 5 would limit noneconomic damages in medical malpractice awards to \$250,000. It also would

limit punitive damages in medical malpractice awards to twice the economic damages or \$250,000, whichever is greater. The bill would set up a sliding scale for attorney contingency fees and permit the introduction of evidence of collateral-source benefits, such as Medicare or Medicaid, in malpractice cases to prevent double recovery.

### Health costs double over past nine years

Health care costs for the average U.S. family have doubled in less than nine years to \$19,393 annually, according to the 2011 Milliman Medical Index. In 2002, health care costs for the average family of four enrolled in a preferred provider organization plan averaged \$9,235, according to the study, published by Milliman Inc. Though this year's 7.3% increase over 2010 is the lowest annual rate of increase in more than a decade, the dollar increase of \$1,319 is the highest in the history of the study, the consultant reported. As has been the case in four of the past five years, employees are paying a larger share of the cost increase than their employers.

### Henry Keeling resigns from Guy Carpenter

Henry Keeling has tendered his resignation as president and CEO of reinsurance brokerage Guy Carpenter & Co. L.L.C.'s international operations, according to a source familiar with the situation. Mr. Keeling announced his resignation as head of the Marsh & McLennan Cos. Inc.'s operation last week. His resignation is effective June 30. The London-based executive joined Guy Carpenter in 2009.

### Up to \$100M in losses from Spain quake: EQECAT

Insured losses in a deadly earthquake that struck southeastern Spain last week likely will be limited to \$100 million, EQECAT Inc. said. At least 10 fatalities were attributed to the magnitude 5.1 quake that struck the city of Lorca—about 200 miles southeast of Madrid. There were numerous reports of partially collapsed buildings, as property damage was concentrated in a compact region near the quake's epicenter, which includes Lorca's central business district, Oakland, Calif.-based EQECAT said in a statement.

## Cyber: White House offers plan to improve security

CONTINUED FROM PAGE 1

The proposal said the president has made cyber security an administration priority because the nation's critical infrastructure, such as the electricity grid, financial sector and transportation networks, has "suffered repeated cyber intrusions."

Elements of the administration's proposal include:

- National data breach reporting. The administration said its proposal would help businesses "by simplifying and standardizing the existing patchwork of 47 state laws that contain these requirements."

- Penalties for computer criminals. The administration said laws imposing penalties for computer crimes are not fully synchronized with other types of crime. Its cyber security plan "clarifies the penalties for computer crimes, synchronizes them with other crimes, and sets mandatory minimums for cyber intrusions into critical infrastructure," the administration said in a statement.

- Voluntary government assistance. The administration proposal would enable the Department of Homeland Security to provide quick assistance to the industry as well as state and local governments when they seek it and "clarifies the type of assistance it can provide."

- Voluntary information-sharing. The Obama administration said the proposed legislation clarifies that the industry, states and local governments can share information about cyber threats or incidents with the DHS, and would give them immunity for doing so.

- Critical infrastructure plans. The administration said its proposal "emphasizes transparency to help market forces ensure that critical infrastructure operators are accountable for their cyber security."

"The administration proposal requires DHS to work with industry to identify the core critical infrastructure operators and to prioritize the most important cyber threats and vulnerabilities for those operators," the administration said in the statement.

"Critical infrastructure operators would develop their own frameworks for addressing cyber threats. Then, each critical infrastructure operator would have a third-party commercial audit

assess its cyber security risk mitigation plans. Operators who already are required to report to the Securities and Exchange Commission also would have to certify that their plans are sufficient," according to the statement.

Discussing the issue of ensuring an individual's privacy and civil liberties, the administration said private-sector, state and local government immunity "is conditioned on its compliance with the requirements of the proposal."

"The idea of a national standard is a good one," said Joseph Lazarotti, a partner with law firm Jackson Lewis L.L.P. in White Plains, N.Y. Federal legislation has been held up in this area over the issues of pre-empting state laws, he said.

**Notifying consumers under state laws 'becomes a nightmare. It becomes challenging to understand and to know what those requirements are in all those different states.'**

Tracey Vispoli,  
Chubb Group of Insurance Cos.

"It would help to be able to unify some state laws, because right now (businesses) certainly deal with a patchwork" of them around the country, said Michael V. Dowd, a partner with law firm Foley Hoag L.L.P. in Boston.

Notifying consumers under state laws "becomes a nightmare. It becomes challenging to understand and to know what those requirements are in all those different states," said Tracey Vispoli, global cyber security manager for Warren, N.J.-based Chubb Group of Insurance Cos.

Rennie J. Muzii, Portland, Ore.-based managing director in Marsh Inc.'s FINPRO practice, said a national standard is needed. With 47 state laws, "you end up having a significant legal expense" if there is a breach, he said.

Cynthia Larose, a member of law firm Mintz Levin Cohn Ferris Glovsky & Popeo P.C. in Boston,

said, "I don't see anything that's earth shaking here" in the proposal overall.

But achieving a national standard would be good for business "because it takes away some of the uncertainty of dealing" with the different state laws, Ms. Larose said.

Richard L. Santalesa, Fairfield, Conn.-based senior counsel at Information Law Group, said a national standard would be the first component of any cyber security proposal to be passed by Congress, and the president's plan will be "warmly welcomed."

Overall, the proposal is "long overdue, required, necessary," particularly from the perspective of protecting the country's critical infrastructure, Ms. Vispoli said.

Kristen J. Mathews, a partner with law firm Proskauer Rose L.L.P. in New York, agreed that the administration proposal is "overdue in that cyber security vulnerability among our utility companies has been a problem for a long time."

"I like what this proposal does in that it opens up lines of communication between members of the industry and the government to compare notes about vulnerabilities they have and exposures," she said.

Mark Camillo, vp, professional liability with Chartist Inc. in New York, said in addition to the issue of state notification laws, the proposal addresses the issue of critical infrastructure entities having risk mitigation or strategies in place; provides stricter penalties for cyber criminals, which may serve as a deterrent; and provides incentives to ensure the government has cyber security personnel to coordinate activity with the private sector.

Peter Foster, senior vp, executive risks at the Willis North America in Boston, said businesses generally do not look at governmental involvement as beneficial.

However, "security folks are looking for...broadening their budgets for security in the workplace" and the administration's push could result in that occurring, which Mr. Foster said would help reduce potential liability.

More details are needed to properly evaluate the proposal, some observers say.

"The devil's in the details" and "security is all about details," said Mike Ahmadi, vp of operations for GraniteKey, a Livermore, Calif.-based security consulting firm. "Are you going to hold business liable for cyber security?" he asked. If so, "what's the baseline? What is the bare minimum? How are you going to establish what that is?"

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# Housewife's desperation turns legal

All is not peaceful on Wisteria Lane, the setting for "Desperate Housewives."

A judge has ruled that a trial in a lawsuit brought by Nicollette Sheridan, who alleges her character was unfairly killed off in the prime-time soap, can start next month against the show's creator and executive producer.

Ms. Sheridan played the much-married Edie Britt, who was killed in a midseason 2009 car accident.

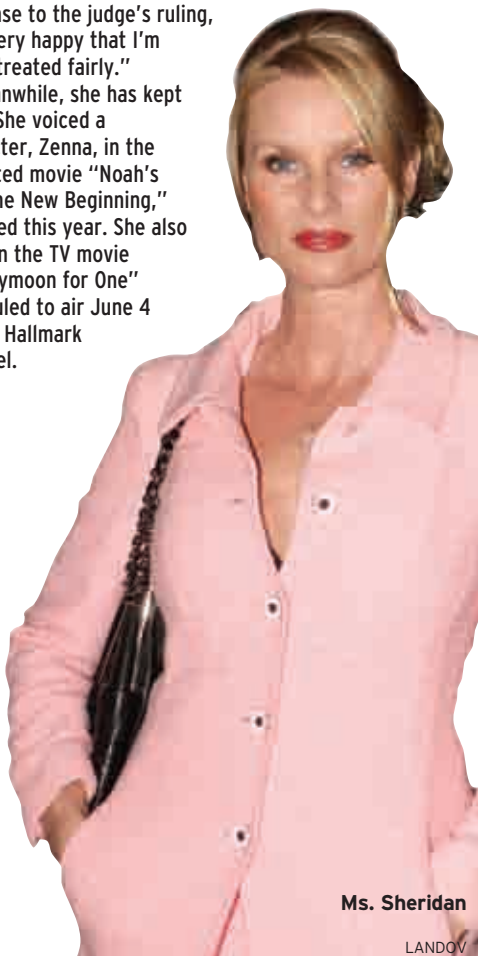
Ms. Sheridan sued "Desperate Housewives" creator Marc Cherry in April 2010, reportedly alleging that he struck her during a September 2008 fight and subjected her to sexual harassment.

A state judge in Los Angeles ruled this month that there is sufficient dispute about what led to the character's death for the case to go to trial. While the judge threw out Ms. Sheridan's sexual harassment and assault claims, she said a trial can proceed on the wrongful termination, unlawful retaliation and battery claims.

Mr. Cherry's attorney said the decision to kill off Ms. Sheridan's character was made months before her argument with Mr. Cherry. But Ms. Sheridan's attorney said ABC executives described the move as a cost-cutting measure and that Ms. Sheridan is owed hundreds of thousands of dollars on her contract.

Ms. Sheridan, 47, said in response to the judge's ruling, "I'm very happy that I'm being treated fairly."

Meanwhile, she has kept busy. She voiced a character, Zenna, in the animated movie "Noah's Ark: The New Beginning," released this year. She also stars in the TV movie "Honeymoon for One" scheduled to air June 4 on the Hallmark Channel.



Ms. Sheridan

LANDOV

# Business Insurance END PAGE

Contributing: Judy Greenwald, Mike Tsikoudakis, Sarah Veysey, Joanne Wojcik



Warren Buffett, CEO and founder of Berkshire Hathaway, is no stranger to the small screen.

## Buffett next Dunder head?

Warren Buffett is digging deep into his method acting bag to make a guest appearance on the NBC Universal Inc.'s "The Office."

The investor billionaire reportedly is slated to play an unnamed applicant vying to replace boss-idiot Michael Scott, played by Steve Carell, during the show's May 19 finale.

Mr. Carell departed the show this season when his character quit fictional company Dunder Mifflin Inc. and fled to the suburbs.

Subsequently, the show's plot centers on finding a replacement for Mr. Scott and has had guest appearances from actors including Will Ferrell, Jim Carrey, Ray Romano, James Spader and

Ricky Gervais.

A sneak peek of Mr. Buffett's cameo was shown at Berkshire Hathaway Inc.'s annual shareholders meeting in Omaha, Neb., in April, according to reports.

Mr. Buffett, who is CEO and founder of Berkshire Hathaway, is no stranger to the small screen and big screen.

According to online movie database IMDb.com Inc., Mr. Buffett appeared as himself in two episodes of television soap opera "All My Children" in 2008 as well as "Wall Street: Money Never Sleeps," Oliver Stone's 2010 sequel to 1987's "Wall Street."

With Mr. Buffett at the Dunder Mifflin helm, the paper company's stock could soar.



AP PHOTO

Donna Douglas, who played Elly May on "The Beverly Hillbillies," is suing Mattel for using her likeness on a Barbie doll.

## Elly May rassles with doll maker

Donna Douglas, the actress who played animal-loving tomboy Elly May Clampett on the hit television series "The Beverly Hillbillies," is trying to strike a little "black gold" of her own in a suit against Mattel Inc.

She sued the toy manufacturer last week, alleging Mattel used her name and likeness for a Barbie doll without her authorization.

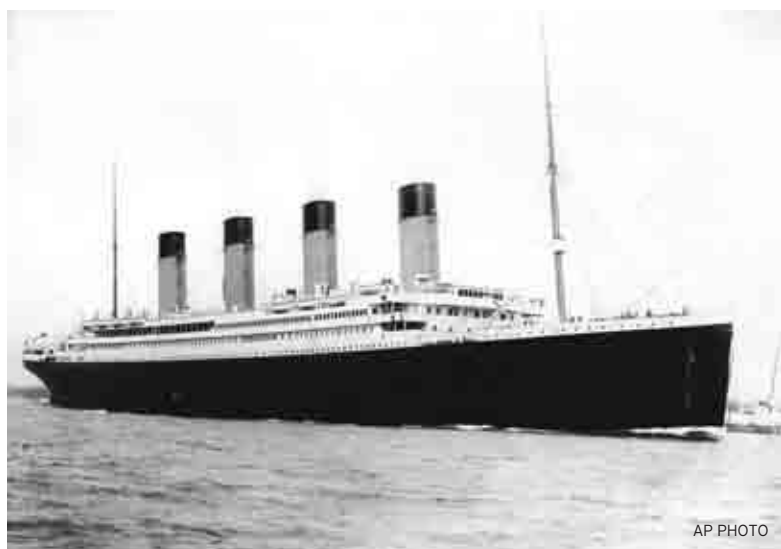
The lawsuit, filed in Baton Rouge, La., where the actress resides, alleges that packaging for the Elly May Barbie doll features a photo of Ms. Douglas portraying the character.

In addition, promotional materials say "the Elly May Barbie doll portrayed by Donna Douglas in the TV show captures the essence of the classic...TV character and show, 'The Beverly Hillbillies,'" the lawsuit states.

The doll is one of several "nostalgia dolls" Mattel has produced, including Barbara Eden from "I Dream of Jeannie" and the late Elizabeth Montgomery from "Bewitched."

While a Mattel spokeswoman said the El Segundo, Calif.-based company "licensed the rights to Beverly Hillbillies for this product through the appropriate channels," Ms. Douglas says she never endorsed the doll or gave Mattel permission to use her name to promote its sale.

The suit seeks unspecified damages and a court order barring Mattel from using Ms. Douglas' "name, likeness, image and distinctive attributes."



AP PHOTO

## TITANIC INSURER HITS ROCK BOTTOM

The story of the Titanic, the luxury passenger ship described as unsinkable that hit an iceberg on its maiden voyage in 1912 and sank, is one of the world's most famous real-life tales.

Now, the ship's insurer—Atlantic Mutual Insurance Co.—has gone the way of its most famous client.

This year, New York state, Ohio and Arkansas insurance regulators revoked the company's licenses because it had a negative surplus. The insurer was placed into liquidation last month.

Atlantic Mutual had suffered from deteriorating loss-reserve development for commercial lines business, particularly due to workers compensation and other

liability classes, according to rating agency A.M. Best Co. Inc.

As well as the Titanic, Atlantic Mutual was one of the insurers of the "ghost ship" the Mary Celeste, which was found abandoned in 1872 and floating in the Atlantic despite having a virtually untouched cargo, plentiful food and personal belongings still aboard.

The company also insured the SS Central America, which sank in 1857 laden with treasure. When that treasure subsequently was found in 1987, it became the subject of an insurance dispute.

The end for the more than 170-year-old insurer also involves a sort of watery grave: liquidation.

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**REINSURANCE BROKERS:** Companies that work directly with ceding companies to place reinsurance and provide related services.

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**GROUP LIFE/HEALTH INSURERS:** Companies that provide group health insurance, managed care companies and companies that provide group life insurance.

**CLAIMS MANAGERS:** Companies that handle commercial insurance claims for self-insured clients on a direct, unbundled basis; or companies that offer case management services directly to members of employer-sponsored group plans.

**GROUP HEALTH ADVISORS:** Companies that engage in group health plan consulting, design, administration or procurement.

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