

BIG QUARTER FOR CAT BONDS MAY SIGNAL BUSY YEAR AHEAD FOR MARKET / PAGE 3

EXITS, LITIGATION MOUNT AT TROUBLED LAW FIRM DEWEY & LEBOEUF / PAGE 4

PROPERTY/CASUALTY CEOS FOCUSED ON GROWTH, PRICING: SURVEY / PAGE 4

inBrief

AIG to sell shares in AIA Group

American International Group Inc. will sell its shares in Asian insurer AIA Group Ltd. after a lock-up period expires in September, CEO Robert Benmosche said last week. AIG sold off two-thirds of AIA in October 2010 to raise money to pay back federal financial assistance it received in October 2008 as the company faced possible collapse. The federal Government Accountability Office recently estimated that the government could reap as much as \$15.1 billion in profit from the financial assistance it extended to AIG.

P/C industry starts 2012 at a profit: Moody's

Premium growth and lower catastrophe costs helped allow

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BENEFIT MANAGER OF THE YEAR®

Business Insurance honors Meredith DeMartino as Benefit Manager of the Year® and names Rick Dorazil to Benefit Management Honor Roll®. **PAGE 9**

HEALTH CARE REFORM

What if court rejects reform?

Voiding health law could create havoc for benefits plans

By **JERRY GEISEL**

WASHINGTON—Should the U.S. Supreme Court strike down the entire health care reform law, experts say that would result in mass confusion for employers involving key benefit and tax issues.

The high court is considering challenges to the Patient Protection and Affordable Care Act brought by 26 Republican attorneys general. As employers await the court's decision, which is expected by the end of June, experts cite several areas of concern should the high court overturn the law entirely.

The biggest sources of confusion for employers from such a ruling include provisions in the federal law that:

- Created a \$5 billion pro-

gram to partially reimburse employers and other early retiree health care plan sponsors for part of claims incurred by pre-Medicare eligible retirees.

That money has already been distributed to plan sponsors. It isn't clear whether the money would have to be returned if the law were struck down.

Experts cite several areas of concern should the Supreme Court overturn the health care reform law.



"There is a real issue here on what to do with the money," said J.D. Piro, a senior vp with Aon Hewitt, a unit of Aon P.L.C., in Norwalk, Conn. "Where in the law does it say what you have to do? Employers will need guidance on that."

■ Mandated that employers extend health coverage to employees' adult children up to age 26, generally effective on Jan. 1, 2011. Under prior federal law, there was no mandate to extend coverage, but employers that did so could extend the coverage tax-free for employees'

See **REFORM** page 19

WORKERS COMPENSATION

Opioid deaths lead to claims for comp cover

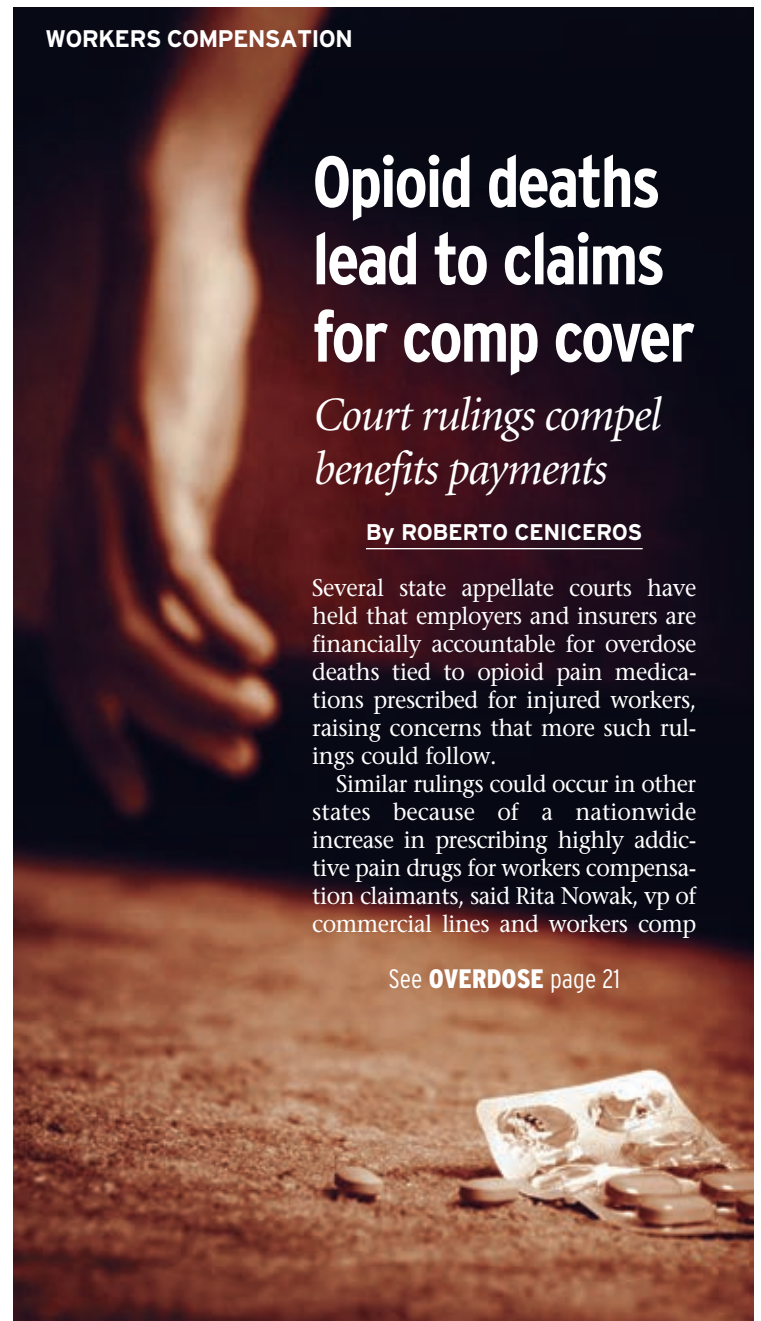
Court rulings compel benefits payments

By **ROBERTO CENICEROS**

Several state appellate courts have held that employers and insurers are financially accountable for overdose deaths tied to opioid pain medications prescribed for injured workers, raising concerns that more such rulings could follow.

Similar rulings could occur in other states because of a nationwide increase in prescribing highly addictive pain drugs for workers compensation claimants, said Rita Nowak, vp of commercial lines and workers comp

See **OVERDOSE** page 21



EMPLOYMENT PRACTICES

Contractors may face more federal anti-bias rules

By **JUDY GREENWALD**

WASHINGTON—Federal contractors, already dealing with cumbersome and expensive regulations and procedures from the U.S. Department of Labor's Office of

Federal Contract Compliance Programs, face prospects of additional regulatory action, say observers.

The OFCCP is responsible for enforcing the affirmative action and nondiscrimination obligations of federal contractors and

with the federal government, according to the OFCCP.

Observers say the 47-year-old agency's actions reflect the Obama administration's policy, as well as the approach of its director, Patricia A. Shiu. A DOL spokesman could not be reached for comment.

Employers' complaints about the OFCCP include:

- Pending regulation that requires establishing goals for hiring veterans and the disabled, which observers say is unrealistic;
- Demands for significant amounts of data, even before an audit is launched;

See **CONTRACTORS** page 20

7%

Under proposed regulation, federal contractors and qualified subcontractors are required to set a goal of having 7% of their workforce be people with disabilities.

subcontractors. Nearly one-quarter of U.S. workers are employed by a company that does business

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Business Insurance

Online features & highlights
www.businessinsurance.com

2012 WOMEN TO WATCH

nominate

ACCEPTING NOMINATIONS: *Business Insurance* is now accepting nominations for its annual spotlight on women doing outstanding work in commercial insurance, reinsurance, risk management, employee benefits and related fields. This year's nomination deadline is July 13. Profiles will run in the Dec. 3 issue of *Business Insurance*. Get all the details at www.BusinessInsurance.com/Women2012Nominate.

LAST WEEK'S TOP FEATURES

www.BusinessInsurance.com/BITop10

1. Solution Arc: Toughest Workers Comp Claims
2. Average PPO cost per family hits all-time high: Milliman
3. Brokerage Arthur J. Gallagher appoints corporate vps
4. Gallery: Highest-paid executives at largest public brokers
5. Gallery: Highest-paid execs at largest listed U.S. P/C insurers
6. Towers Watson to buy health insurance exchange operator
7. Catholic bishops threaten suit to block HHS contraceptive rule
8. Skechers in \$50M settlement over toning shoe claims
9. Former AIG CEO Greenberg eyes reversing N.Y. fraud case
10. Outdated tech infrastructure challenges insurance industry

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CAPTIVE MANAGERS

WHITE PAPER: Market insights on captive managers. www.BusinessInsurance.com/whitepapers

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SECURITIZATION

Big year expected for cat bonds

Record number of deals in 2012 first quarter

By **RODD ZOLKOS**

New catastrophe bond issuance hit a record during the first quarter this year amid signs that the market may be poised for continued growth.

Data compiled by New York-based GC Securities, an affiliate of Guy Carpenter & Co. L.L.C., showed the first three months of 2012 to be the cat bond market's most active first quarter since it began tracking the data. There were eight new transactions totaling \$1.34 billion in risk capital, topping the previous first-quarter high of \$1.02 billion last year.

Meanwhile, investor demand for catastrophe bonds continues to grow.

"The most significant development is right after we put this out, two deals came out—another \$1 billion or so," said Chi Hum, global head of insurance-linked securities distribution at GC Securities. Two more potentially big deals in the market are likely to close before the start of Atlantic hurricane season, he said.

"So we can end up with a decent year this year for new issuance," Mr. Hum said.

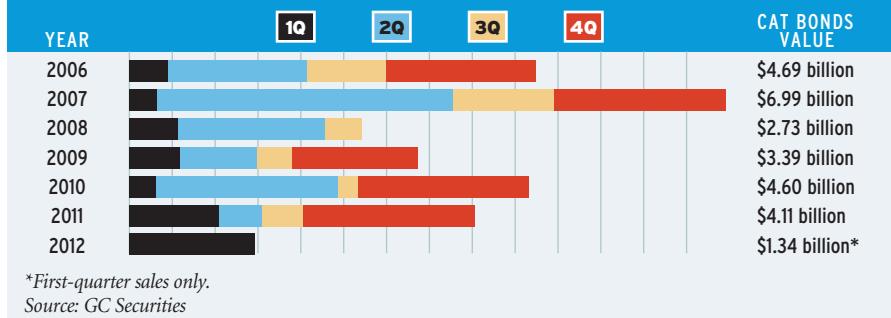
"The story is there's a lot of cash in the market," he said. Since 2008, he said, big institutional investors have seen "that this is a diversifying asset and they're starting to target it."

On the issuer side, "Increasingly the users of reinsurance capacity are looking at cat bonds and valuing the different attributes of cat bonds," Mr. Hum said. Among characteristics issuers are finding attractive are that cat bonds are fully collateralized and that multiyear cat bond programs can stabilize risk transfer pricing.

Also, cat bond components in issuers' risk transfer programs can provide leverage in seeking better pricing from reinsur-

CATASTROPHE BONDS

The dollar value of catastrophe bonds issued peaked in 2007 and has seesawed since then. While the market is traditionally more active later in the year, first-quarter 2012 cat bond sales hit a record.



ers, Mr. Hum said.

"I think it's been a very good year" thus far, said Morton N. Lane, president of Wilmette, Ill.-based Lane Financial L.L.C. "It's frankly been very hard to keep up with all the issuance and I think that will continue through the year."

Mr. Lane cited a hardening traditional market and pension fund investments moving into the cat bond market after the 2008 financial crisis as "a happy convergence" driving catastrophe bond market activity.

Christopher McGhee, founder and CEO of McGhee Risk Capital L.L.C. in Santa Monica, Calif., said he wasn't surprised that the cat bond market is "ramping up."

"Investors continue to like assets that have low correlation with their other assets," Mr. McGhee said. "In the fixed income sector, these are relatively high-yielding assets."

"Then you have the phenomenon that prices in (the property catastrophe market) are going up generally," he said. "That makes it more attractive to investors, but it also makes it more attractive to potential sponsors of cat bonds."

Among exposures addressed in this year's first-quarter cat bond issues were

California earthquakes, U.S. hurricanes, U.S. tornadoes, European windstorms and Japanese earthquakes.

A key development during the first quarter was an issue that essentially served as a renewal of last year's \$300 million Muteki Ltd. transaction, which suffered a complete loss as a result of Japan's March 2011 Tohoku earthquake. The deal provided earthquake coverage to Zenkyoren Ltd., the Japanese National Mutual Insurance Federation of Agricultural Cooperatives.

In January, Zenkyoren came to market with another \$300 million cat bond deal. Kibou Ltd. included "a little refinement in the triggers," Mr. Hum said, but it was very similar to the Muteki transaction and sold at a price increase of only 20% above the deal done before the Tohoku earthquake.

Mr. Hum said the Kibou transaction underscores what he sees as a positive development for the cat bond market: Cat bond pricing is decoupling from reinsurance market pricing. A major factor in that decoupling is the fact that catastrophe bond investors—for whom cat bonds

See **CAT BONDS** page 18

ERM could have reduced losses in crisis: Panel

Financial institutions failed to connect risks

Enterprise risk management has become an important tool in helping financial institutions analyze and handle risks that hurt many banks and investment firms before and during the financial crisis, experts say.

The advantages of ERM were presented last week during a webinar hosted by *Business Insurance*, "Counting on ERM: How Financial Institutions Can Benefit From Enterprise Risk Management," and sponsored by Zurich North America.

Christopher A. Taylor, Baltimore-based head of financial institutions for Zurich, said ERM can help companies promote a culture of risk awareness among employees and make informed decisions about taking risks that would allow a firm to grow its capital.

In addition, Mr. Taylor said ERM can help companies identify unknown "black swan" risks that could pose problems in the future.

For instance, an ERM approach could have helped financial institutions foresee the link between the housing crisis and subprime mortgage-backed securities, or assisted companies in dealing with business interruptions from last year's earthquake and tsunami in Japan.

"In an enterprise risk management system, you have contemplated both the worst-case scenario and an unlikely event so that you're able to respond when you need to respond at the time of the event," Mr. Taylor said.

Christopher E. Mandel, executive vp-professional services for San Antonio-based rPM3 Solutions L.L.C., said the global financial crisis magnified concerns about risk management because it did not prevent the failures of such companies as Lehman Bros. Holdings Inc. and Bear Stearns Cos. L.L.C.

"We continue to have economic uncertainty that is driving the behavior of companies where...you've got increasing urgency to find profitability and growth," Mr. Mandel said. "That urgency often drives people to take risks that perhaps they shouldn't or (are) not that well understood."

Mr. Mandel said ERM programs can fall short if they strive only for compliance with government regulations. He said effective ERM programs provide quantifiable results, detect potential risks and allow companies to conduct informed decision-making.

Business Insurance Associate Editor Mike Tsikoudakis moderated the webinar. The free, 60-minute webinar can be viewed on demand at www.businessinsurance.com/webinars.

—By Sheena Harrison

QUESTIONS & ANSWERS

Broadspire CEO focused on new business, controlling costs

In March, third-party administrator Broadspire Services Inc. announced that Danielle Lisenbey had been promoted to CEO. She succeeded Kenneth F. Martino Jr. after his departure.



Broadspire is an Atlanta-based unit of Crawford & Co. that provides workers compensation, liability claim and medical management services.

Ms. Lisenbey formerly was the TPA's chief operating officer of medical services. In that role, she oversaw the operation of Broadspire's medical and case management services and the development of several related products and services.

Ms. Lisenbey recently spoke with *Business Insurance* Senior Editor Roberto Cenicerros about how she envisions her future at Broadspire.

Q: Is it true that with your promotion, Broadspire will be better positioned to compete with a medical-management focus?

I don't know if compete is the right word. The (promotion) is part of our succession planning. I have been part of the organization for over 20 years and have been on the senior leadership team for the past five years and have been positioned from a succession-planning perspective to aspire and grow into the CEO role.

The medical component associated with workers comp claims is ever-growing and in 2016 it is supposed to reach a 70/30 split. So there is definitely a greater emphasis on the medical side and with our integrated solutions it is a very good fit for us from an overall package perspective.

Bringing that expertise and that emphasis to the table, I wouldn't say we are going to just compete on medical management, but it positions us in the industry with greater strength having that kind of background.

Q: During a recent first quarter earnings conference call, there was discussion about bringing Broadspire to "an acceptable earnings profile." What is the goal?

To deliver sequential quarterly operational improvement. I don't think it's any secret being a publicly held company what our results are and we are going to continue to work toward a sustainable level of profitability. The two main focuses continue, and that is (new) business development and cost control measures quarter over quarter as we continue to grow the organization. That is what has significantly helped Broadspire succeed this first quarter.

Q: Where do you plan on taking Broadspire?

My focus is to be the best TPA in the business. While I think it's great to be the biggest, that is not our focus. Our focus is to provide the best services possible to our clients.

Our emphasis is going to continue to be a quality service provider with a breadth of integrated solutions even from a global perspective. We have a global footprint, being owned by Crawford & Co., which has a breadth of services spanning across 65 countries. That emphasis will continue for Broadspire.

PROPERTY/CASUALTY REINSURERS

Growth most critical issue for P/C executives

Economic impacts, IT also top concerns for insurance sector

By MARK A. HOFMANN

Maintaining and growing business is the most critical issue facing property/casualty insurance companies, according to survey of senior executives by Princeton, N.J.-based Munich Reinsurance America Inc.

Nearly half—47%—of the 76 respondents to Munich Re's CEO Roundtable Survey listed maintaining and growing business as their No. 1 issue. Maintaining underwriting discipline/price adequacy came in a close second at 45%, while managing cost struc-

ture was third at 28%. The survey allowed multiple responses, so results do not always add up to 100%.

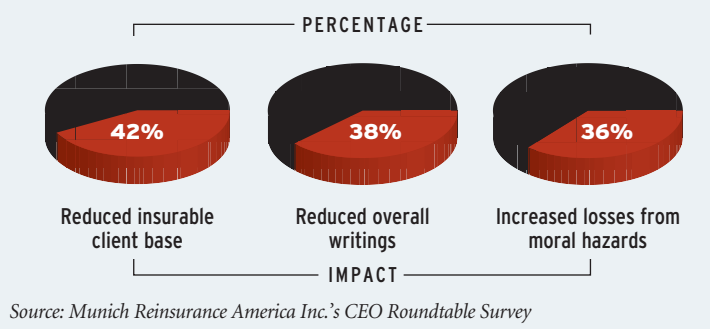
When asked where their companies had a competitive advantage, 41% of the executives said in underwriting capability—risk selection and pricing—while 40% cited strong capital position. Claims processing and claims management came in third with 37%.

Information technology capabilities ranked top on the list of where executives said their companies need to improve, with 47% citing IT, while underwriting capability and product service offering tied for second, with 33% of respondents citing each as an area that needed improvement.

"The biggest move this year is

DOWNTURN'S IMPACT CONTINUES

Munich Reinsurance America Inc. recently asked a group of senior insurance executives to identify the two most important impacts of current economic conditions on their business. The Top 3 and the percentage of respondents citing them are:



Source: Munich Reinsurance America Inc.'s CEO Roundtable Survey

the consistent focus on IT capabilities," said Greg Coda, president of client management in the Munich

Re America reinsurance division in Princeton, N.J. He noted that policy processing, which had

ranked in the top three areas that need improvement in five of the previous six surveys, "wasn't even a factor" this year.

Mr. Coda noted that Munich Re had included IT capability as a potential area for improvement for the first time in its 2011 survey. It ranked No. 1 last year as well. He pointed out that the "whole topic of predictive analytics" was on respondents' minds. When asked what having "smart underwriting systems"—predictive analytics—meant for their companies, 24% called them "a survivability factor for the future" while 33% said they provide a "significant competitive advantage." An additional 39% said such systems may provide a

See **SURVEY** page 18

LIABILITY & LITIGATION

More lawyers leave Dewey for rival firms

By MARK A. HOFMANN

WASHINGTON—Prominent insurance attorney Charles Landgraf has joined Arnold & Porter L.L.P., the most recent in a series of high-profile insurance attorneys to exit financially ailing Dewey & LeBoeuf L.L.P.

In addition to Mr. Landgraf's departure, the Pension Benefit Guarantee Corp. sued Dewey & LeBoeuf last week to force the New York-based law firm to turn over its three pension plans to the agency and appoint it the plans' trustee; the landlord of the firm's New York office, Property Group Partners, reportedly sued the law firm over more than \$900,000 in unpaid rent; and layoffs had reduced the law firm's staff to 100 employees from 533, according to the New York State Department of Labor.

Mr. Landgraf's departed as chair of Dewey & LeBoeuf's legislative and public policy practice group and as managing partner of its Washington office to join Arnold & Porter as a partner in its Washington office.

Since early March, defections mounted as Dewey & LeBoeuf struggled financially. Six insurance lawyers, including captive industry expert P. Bruce Wright, joined New York-based Sutherland Asbill & Brennan L.L.P., while 12 insurance attorneys joined New York-based Willkie Farr & Gallagher L.L.P.

James R. Woods, co-chair of Dewey & LeBoeuf's global insurance industry practice, joined Mayer Brown in New York. In addition,



BLOOMBERG

Since early March, defections have mounted as Dewey & LeBoeuf L.L.P. struggles financially.

four lawyers led by John Nonna, chair of Dewey & LeBoeuf's insurance and reinsurance dispute resolution practice, joined Patton Boggs L.L.P. in New York in early April.

In its announcement, Arnold & Porter noted that Mr. Landgraf has represented leading companies and trade associations in the insurance industry, including Lloyd's of London, the California Earthquake Authority and Liberty Mutual Insurance Co.

"Mr. Landgraf's work on behalf of insurance-sector clients has included the formation of Policyholders Benefit Corp. to assume defaulted insurance obligations when the then-largest" private mortgage insurer was put into liquidation during the savings and loan crisis, Arnold & Porter said in the statement. "Mr. Landgraf also played a key role in representing clients in the development and passage of the Terrorism Risk Insurance Act of 2002, the successful efforts to renew the TRIA program in 2005 and 2007, and the development of insurance measures in the Dodd-Frank Act."

TECHNOLOGY

Spotlight on predictive analytics at ACORD

Tapping 'big data' holds potential for claims process

By BILL KENEALY

ORLANDO, Fla.—The potential of new technologies to disrupt entire business models in the insurance industry was a pervasive theme at last week's ACORD LOMA Insurance Systems Forum.

Alongside mobile and social media technologies, the impact of business analytics or "big data" technologies on the industry was a primary topic of discussion at the gathering in Orlando, Fla.

In a presentation, Karen Pauli, research director for New York-based consultant Tower Group Inc., said the insurance industry largely has failed to capitalize on the potential of analytics to improve a vital business process. Insight derived from predictive models can improve the claims process in subrogation management, litigation management and fraud detection, she said.

Ms. Pauli added that while the many insurers have made progress in replacing legacy claims management systems with modern systems capable of supporting analytics, most have failed to take the next step and augment them with analytics tools.

"The change in core claims systems over the past two or three years has been amazing, but it's an incredible waste of a modern system unless you add business intelligence, business process management or predictive analytics," she said. "Carriers not availing themselves of the new analytic tools out there is a big problem."

Moreover, insurers need to assemble the human resources necessary to devise the mathematical models and analyze the data. "Your claims business managers must become masters of analytics," she said.

See **ACORD** page 18

BI's Women to Watch nominations open

Business Insurance has opened nominations for the 2012 Women to Watch, a program created by the magazine to recognize the most influential and inspiring women in commercial insurance, reinsurance, risk management, employee benefits and related fields such as law and consulting.

Since its inception in 2006, only 230 women have joined this elite group, which has served as a springboard for many giving a boost to their careers.

A panel of senior editors at *Business Insurance* selects the honorees based on such criteria as their notable personal and professional achievements, their influence on the industry and marketplace, and their own contributions to the advancement of women in business. The list is open to women in the insurance industry worldwide. Past honorees are not eligible.

Readers are encouraged to nominate candi-

dates using the form available at www.businessinsurance.com/women2012nominate. The deadline is July 13.

Profiles of the 2012 Women to Watch will be published in the Dec. 3 issue of *Business Insurance* and on www.Businessinsurance.com.

A leadership workshop will be held on Dec. 4 in New York. It will feature panel discussions on ways women can better balance their careers and personal lives while climbing the corporate ladder, how to create sponsorship programs in their organizations to promote the advancement of women, and honing negotiation skills. The workshop will be followed by a luncheon honoring the 2012 Women to Watch.

For information on attending or partnership opportunities, contact Martha Donato, *Business Insurance's* director of events and brand marketing, at mdonato@businessinsurance.com.





“TAKE SHELTER IMMEDIATELY.”

A WARNING

THE MANUFACTURING PLANT WAS POWERLESS TO HEED.

INDUSTRY:
MANUFACTURING

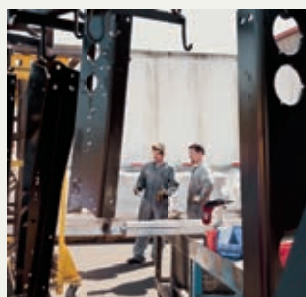
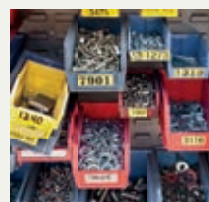
CUSTOMER:
AUTO PARTS COMPANY

CASE OBJECTIVE:
GETTING BUSINESS
BACK IN BUSINESS. FAST.

CASE SPECIFICS:

After a tornado struck on a holiday weekend, causing devastating roof and structural damage, this auto parts manufacturer faced a daunting task: get back in business or risk a daily loss of \$300K in sales. At Liberty Mutual Insurance, we responded in less than three hours. We partnered with the customer and had contractors working immediately so a production and shipping operation could be set up in the parking lot. The company was fully operational by Monday. Partnership, knowledge, and quick response — three ways we help protect your business. To learn more, contact your agent or broker, or go to libertymutualgroup.com/tornado

COMMERCIAL AUTO
GENERAL LIABILITY
PROPERTY
WORKERS COMPENSATION
GROUP BENEFITS



Mid-Market EXECUTIVE

Helping C-level executives at midsize firms overcome critical risk and benefits challenges

Taking good care of workers

EAP helps employees after work trauma

By JOANNE WOJCIK

While prevention strategies are vital to managing the risk of workplace violence, mid-market organizations also must prepare for the long-term impact on workforce mental health and productivity if an incident should occur.

Establishing a comprehensive and well-advertised employee assistance program can not only ease the mental and emotional burden of a violent incident after it happens, but might help prevent an incident from happening in the first place.

Besides providing one-on-one counseling to individual employees who may be victims of workplace violence, EAPs also can provide the group critical-incident response immediately after a tragedy, experts say.

Moreover, EAPs can train managers and employees on what behaviors to watch for in other employees that may give rise to a violent act, they say. EAPs also can be instrumental in helping a midsize organization develop a workplace violence prevention policy and action plan.

Unfortunately, while most large employers offer EAP services as part of their corporate benefit programs, small and midsize employers are less likely to offer them.

According to the 2011 Mercer National Survey of Employer-Sponsored Benefit Plans, just 27% of employers with fewer than 500 employees offer EAP services. The availability of EAP services is more common in the upper end of the middle market, with 81% of employers with 500 to 999 employees offering them. But this size employer still is less likely to offer EAP services than are employers with 5,000 to 9,999 employees. In that group, 94% of employers offer EAP services, the Mercer survey found.

Oftentimes after a traumatic incident occurs in the workplace, such as an armed robbery or shooting, employers experience increased voluntary turnover rates and a bump in workers compensation disability claims, said Bob VandePol, president of Crisis Care Network in Grand Rapids, Mich., which provided critical-incident response services in the wake of the 2007 shootings at Virginia Polytechnic Institute and State University in Blacksburg, Va.

But research has found that when employees victimized by workplace violence receive professional support within two to 24 hours after a traumatic incident, it reduces voluntary turnover rates and workers compensation claims, he said.

Mr. VandePol cites the experience of Matthews, N.C.-based Family Dollar Stores Inc. as an example of the effectiveness of critical-incident response after workplace violence. The retail chain “gets robbed multiple times per day,” he said. “With minimum wage workers getting robbed at such an alarming rate, almost half of them quit after the robberies. The retailer engaged us to pro-

vide our service to them. After the first year, the stay-at-work rate jumped up to 84% and is now 91%,” he said.

At the same time, only 6% of Family Dollar’s victimized employees now file workers compensation disability claims after robberies and, for those who do, claims are 15% less costly than they had been prior to the introduction of counseling, according to a study of the Family Dollar experience published by the American Psychiatric Foundation.

While the costs were a concern for Family Dollar—a Fortune 500 employer that had the financial wherewithal to absorb them—they could have far more dire implications for a middle-market employer, Mr. VandePol said.

“Think of the turnover costs if half of your team quit,” he said. “Then there’s recruitment and training costs” for new hires. “Family Dollar measures our success by the

vidual counseling as needed,” Ms. Baker said.

A group session often “is the best way to reach certain segments of the population,” she said, because “just seeing the counselor in a group setting makes people feel more comfortable about going to seek counseling on their own.”

In addition to responding after an incident has occurred, EAPs can be helpful in training managers and employees on prevention strategies, said Kathleen Greer, president of KGA Inc., a human resources consulting firm in Framingham, Mass., that specializes in EAP programs.

“If you have a workplace violence incident, you can call the EAP and they will help afterward, but the whole point is prevention,” she said. “You can do direct training to heighten people’s awareness. Managers and supervisors are in the best position to see something starting. A manager can see if something has changed with someone. If they have had any kind of orientation, they’re going to pay attention.”

Among the clues to watch for, she said, are changes in attitude, changes in appearance or dress, bullying or confusion, especially if exhibited by a formerly clear-headed employee.

EAPs also can help organizations develop a workplace violence prevention and action plan, said Marina London, a licensed clinical social worker and Web editor for the EAP Assn. in Arlington, Va. “Ideally, you would have a representative of the EAP, an HR person and people in charge of security” collaborate on a plan, which would include directives such as when to call police or when to refer potentially volatile employees to the EAP for counseling, she said. “In conjunction with that, the EAP can train the managers and employees on the policy.”

“The most preventive thing an employer can do is to make employees aware of the availability of the EAP as a resource,” said Alan King, president and chief operating officer of Workplace Options, an EAP based in Raleigh, N.C.

Unfortunately, small and midsize employers are less likely than their big-company counterparts to offer EAP services to their employees as part of their benefit plan.

“EAPs have less acceptance in smaller organizations. Part of it comes from people’s perception that EAPs are a ‘touchy-feely’ benefit for employees, but it is not,” he said. “On the management side, the EAP can be part of the toolbox that managers use to support their employees. An EAP can reach out to an employee a manager sees as troubled.”

Managers also can turn to the EAP to learn how to approach potentially volatile employees, Ms. Greer said.

“We all need coaching sometimes for difficult conversations. They may be concerned about getting too personal,” she said. “Large organizations may have corporate psychologists on staff, but not middle-market companies. HR managers are good at that, but having a good EAP can really help them go beyond where they’re comfortable.”

Critical-incident response team helps workers cope

After workplace violence occurs, critical-incident response specialists provided by employee assistance programs can provide a safe, directed environment for employees to:

- Let people talk if they wish to do so.
- Identify normal reactions to an abnormal event so people don’t panic regarding their own reactions. For example, it is normal for employees to temporarily feel powerless, angry or guilty, or even to blame their employer for allowing an incident to occur.
- Build group support.
- Outline self-help recovery strategies.
- Brainstorm solutions to overcome immediate return-to-work and return-to-life obstacles.
- Triage movement toward either immediate business-as-usual functioning or additional care.

“Think about a bank teller. Tellers make more errors the day after a robbery than the day before,” said Bob VandePol, president of Grand Rapids, Mich.-based Crisis Care Network, whose team of counselors responds to approximately 10 bank robberies each day.

The reason for the errors is because victimized tellers usually will have trouble sleeping, they experience diminished appetite, and they will become hyper-vigilant and pay greater attention to their surroundings than to the work at hand, he said.

Fortunately, most people are resilient and only about 8% of victims of workplace violence eventually are diagnosed with pathological post-traumatic stress disorder, said Mr. VandePol, citing research by the American Psychological Assn.

After events of workplace violence, “people quit, they tell off their boss, they get arrested for drunk driving, they hurt their spouse. People also get engaged in self-blame and other blame,” he said.

EAPs and critical-incident response specialists “are there to help people think through the next 24 hours, foster resiliency and to not make a big mistake that hurts them even more,” Mr. VandePol said.

—By Joanne Wojcik

BY THE NUMBERS

Percent of employers offering an EAP

- 10-499 employees: 27%
- 500-999 employees: 81%
- 1,000-4,999 employees: 90%
- 5,000-9,999 employees: 94%
- 10,000-19,999 employees: 93%
- 20,000 or more employees: 92%

Percent of employers whose EAP offers face-to-face counseling

- 10-499 employees: 79%
- 500-999 employees: 89%
- 1,000-4,999 employees: 92%
- 5,000-9,999 employees: 93%
- 10,000-19,999 employees: 93%
- 20,000 or more employees: 89%

Source: 2011 Mercer L.L.C. National Survey of Employer-Sponsored Health Plans

reduction in workers compensation costs per robbery. We’re saving them a boatload of money.”

Kim Baker, director of account services at Chicago-based EAP ComPsych Corp., said employers often forget about using EAPs after a crisis.

“That’s one of the most unknown but critical components to our service. When there is a crisis, we have a dedicated critical-incident stress management team. They are not part of our normal group of clinicians; they are specialized for these incidents,” she said.

Among other things, the critical-incident response counselors “will help us determine how quickly we need counseling on-site. Sometimes when folks are in shock, they don’t know that they need services. But we’ll have counselors out on-site not only for group sessions, which is how many employers like to handle these situations, but also for indi-

Market Moves

A.M. Best opens branch in Miami

MIAMI—A.M. Best Co. Inc. has announced the opening of an office in Miami.

The rating agency's new location is the site of management meetings and other activities focused on the Latin American reinsurance markets, while its Oldwick, N.J.-based team continues to perform its rating analytics.

"With the increasing focus on solvency and enterprise risk management, we have seen a growing awareness of the importance of insurance ratings worldwide," said Larry Mayewski, executive vp at Best, in a statement. "The rapidly expanding insurance markets in South America, Central America and related regions command an increasing portion of our attention and resources."

Leading the office is Jorge A. Gonzalez, who has been named business development manager-Latin America. Previously, he was sales director, Latin America and Caribbean for Aetna International Inc. The Miami office is located at 1221 Brickell Ave. and can be reached at 305-347-5188.

Hylant launches practice for health, wellness

TOLEDO, Ohio—Hylant Group Inc. has launched a health and wellness strategies practice.

The new group will be led by Jerid Baxter, who was named health and wellness strategies practice leader last month. Previously, he was wellness director.

"Rising health care costs are challenging companies of all sizes," Mr. Baxter said in a statement. "Our dedicated wellness coordinators work with our clients' internal teams to manage wellness programs, provide tools and resources, analyze metrics and drive savings. One specific way we are helping companies is by improving the overall health of their workforce."

The practice will be based in its Toledo, Ohio, office at 811 Madison Ave.

Lockton to open offices in Australia

KANSAS CITY, Mo.—Lockton Cos. L.L.C. will open two new offices in Australia and create a new insurance brokerage, Lockton Australia Pty. Ltd., the Kansas City, Mo.-based broker announced.

The new unit will have offices in Perth and Sydney.

Adam Rhodes has been named Lockton Australia CEO and will report to Gerry Callaghan, executive chairman of Lockton's Asian operations.

"Adding Lockton operations in Australia is another important step in expanding our expert local

teams to serve clients around the world," said John Lumelleau, president and CEO of Lockton, in a statement announcing the move.

USI takes on accounts from BBVA Compass

BRIARCLIFF MANOR, N.Y.—USI Insurance Services L.L.C. has acquired certain assets of BBVA Compass Insurance Agency Inc., a subsidiary of Birmingham, Ala.-based BBVA Compass Bancshares Inc.

Under the deal, Briarcliff Manor, N.Y.-based USI will gain staff and commercial accounts from Compass Insurance, while BBVA Compass will retain the BBVA Compass Insurance Agency

Inc. entity and name to support its focus on personal lines insurance. The business acquired by USI generated approximately \$26.7 million in revenues in 2011, the companies said.

"This business and team are a great complement to our existing offices in Texas and the entire USI Southwest region," USI Chairman, President and CEO Michael J. Sicard said in a statement.

"USI's experience and tools, as well as its national footprint, will enable our mutual commercial clients to continue to enjoy quality service while also offering them a wider array of customized solutions," added Rafael Bustillo, commercial banking executive for BBVA Compass.

Terms of the transaction, which includes a joint referral agreement between Compass Insurance and BBVA Compass, were not disclosed.

JLT buys Towner unit, inks joint venture

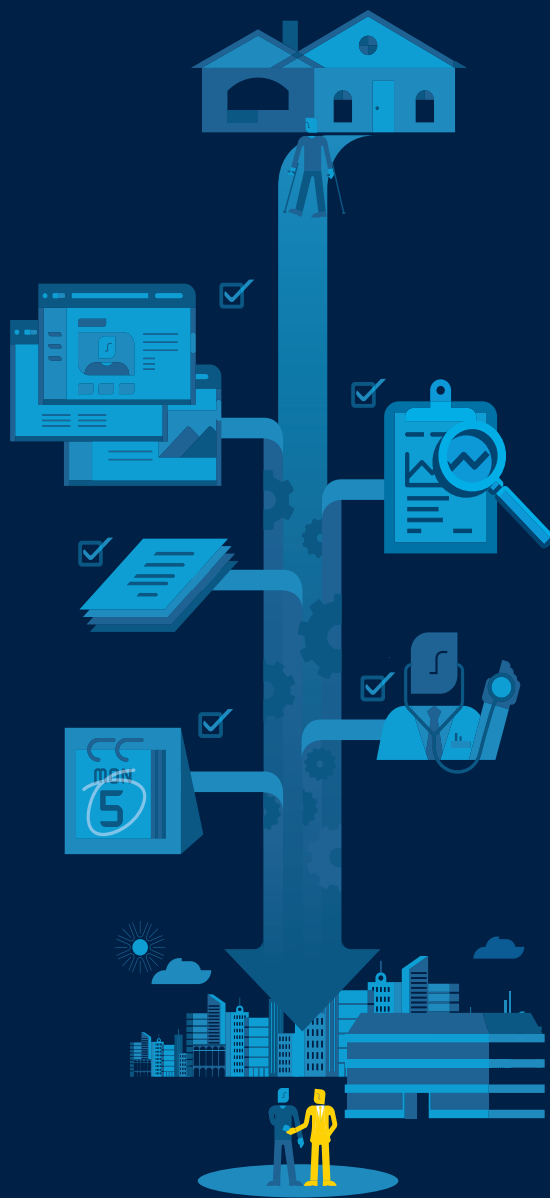
ST. JAMES, Barbados—Captive manager Towner Management Group L.L.C. has sold its Barbados-based operations to Jardine Lloyd Thompson Group P.L.C. and has entered into a joint venture with JLT in connection with its Burlington, Vt.-based U.S. operations.

Terms of the transaction were not disclosed.

In a statement, Towner Management said the U.S. joint venture will combine its growing U.S.

presence and access to Central and South American markets with JLT's global reach. The organization will be rebranded as JLT Towner in the U.S. and Barbados, maintaining its Caribbean headquarters in Barbados and its U.S. headquarters in Burlington.

The Towner management teams will remain in place in both operations, with Christopher J.N. Towner retaining an interest in the group's U.S. activities and continuing as chairman of JLT Towner (Barbados). Ricardo O. Knight will lead the Barbados operations as president, and Guy Ragosta will continue to run U.S. operations as CEO. Principals Leonard D. Crouse and Thomas P. Stokes will remain in their present capacities.



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Opinions

EDITORIAL

Wellness boosts bottom line

Employers have been implementing wellness initiatives with varying degrees of success for more than 25 years. When they work, the programs can have a positive impact on employees' lives by encouraging them to give up unhealthy lifestyles and pay more attention to their personal health.

The programs can be expensive, however, and, especially in tough economic times, wellness initiatives have sometimes been the target of cuts when senior managers are under pressure to reduce costs.

That's unfortunate, and many would argue that the cuts are a false economy as successful wellness programs ultimately reduce an organization's health care costs. The problem for many benefit managers is that they often don't have the hard numbers to back up their beliefs.

When benefit managers have the data to support their successful wellness initiatives, they are in a better position to defend their claims and demonstrate their true value to their organizations.

Two examples of benefit managers who put hard dollar numbers on the success of their wellness initiatives are profiled in this issue as part of our Benefit Manager of the Year® awards program.

A few years ago, Event Network Inc., a specialty retailer based in San Diego, was facing health care insurance premium increases of between 9% and 12% a year. Meredith DeMartino, its executive vp of talent development, was sure that if she could access the underlying data for the company's claims, she could do something to reduce those big increases. Working with her broker, wellness provider and a new health insurer that was willing to provide the data, Ms. DeMartino was able to develop a successful wellness program that resulted in a premium reduction rather than an increase. And her insurer provided an additional \$10,000 in funding to support Event Network's wellness efforts.

That success is just one of the reasons why Ms. DeMartino was named the 2012 Benefit Manager of the Year®.

BP America Inc. also was facing big increases in health care costs. Richard Dorazil, the company's vp-total reward, Western Hemisphere, analyzed the company's results and uncovered a revealing statistic: 6% of health care plan participants were responsible for 60% of claims costs. Again, an effective wellness plan was used as the tool to address those costs. With an extraordinarily high proportion of employees participating in the wellness plan, the rate of cost increases was slashed.

For this and other achievements, Mr. Dorazil was named to the 2012 Benefit Management Honor Roll®.

Congratulations to both our honorees.

SCHILLERSTROM



COMMENTARY

See how investing in people pays off

When *Business Insurance* introduced the Benefit Manager of the Year® award in 2005, the intention was to recognize the groundbreaking work of leading benefit professionals as they innovatively and effectively used benefit programs to solve one or more major problem for their organizations.

Over the years, the recognition also seems to be having a positive impact on employers' investments in wellness as more organizations are showcased for their success in using health promotion to enhance their bottom lines. In fact, at least 60% of employers offer wellness benefits today, up from 43% in 2010, according to a 2011 survey by Willis Group Holdings P.L.C.

In 2005, when Chris McSwain won our first Benefit Manager of the Year® award as director of benefits and compensation at Columbia, S.C.-based SCANA Corp., it was for reducing the utility's health benefit costs through the use of an on-site health resource center where employees learned how to improve their health.

This year's winner, Meredith DeMartino, executive vp of talent development at San Diego-based Event Network Inc., has driven down her company's health benefit costs by cultivating a culture of wellness through on-site garden plots, company kitchens and encouraging social interaction through healthy competition and volunteer work.

Using wellness programs to reduce health care costs still was considered theoretical in 2005 when Mr. McSwain championed such programs, which is partly why he also felt it necessary to build a data

warehouse to measure its return on investment.

By contrast, Ms. DeMartino already had access to sophisticated tools derived from decades of research by the Integrated Benefits Institute and others to help employers calculate in multiple ways the link between employee health and well-being on their organizations' financial health.

For example, wellness has reduced Event Network's benefit costs by \$700,000 since 2008, which

is considerable savings for a midsize organization with an annual health care budget of \$2 million. Voluntary employee turnover was a scant 3% in 2011 in an industry known for quit rates hovering between 25% and 50%. The number of employees with five or more sick days decreased to 2% in 2011 from 8% in 2010. Event Network, in turn, reinvested those savings in its business, including the creation of a new corporate headquarters designed to further enhance employee health and productivity.

When I interviewed Mr. McSwain in 2005, he said all too often organizations viewed benefits as "fluffy," but he wanted to show how investing in people could pay off: Every \$1.8 million saved in benefit costs is worth a penny to SCANA's stock price, Mr. McSwain estimated at the time. "Imagine how much electricity and gas we don't have to generate and pump to make that kind of profit. So these are, in very real ways, adding money to our bottom line," he said.

Contact: jwojcik@businessinsurance.com



**JOANNE
WOJCIC**
SENIOR EDITOR



BENEFIT MANAGER OF THE YEAR®
Meredith DeMartino
 EVENT NETWORK INC.

MICHAEL MARCOTTE

EVENT NETWORK INC.

BUSINESS: Leading operator of gift shops for zoos, aquariums, museums, science centers, botanical gardens and other nonprofit cultural attractions.

FOUNDED: 1998

HEADQUARTERS: San Diego

2011 FINANCIALS: Annual sales of \$145 million

EMPLOYEES: 1,250

DID YOU KNOW:

- Event Network has 70 stores in United States, Canada and Europe.
- First store was housed in a tent outside the traveling Titanic exhibit in Boston.
- Notable partnerships include the John G. Shedd Aquarium and the Museum of Science and Industry in Chicago; the Abraham Lincoln Presidential Library and Museum in Springfield, Ill.; Ford's Theater and Washington National Cathedral in Washington D.C.; Gettysburg National Battlefield Museum; Garden of the Gods in Colorado Springs, Colo.; Mob Museum in Las Vegas; and the Titanic and Harry Potter traveling exhibits.
- First European partnership in 2012 was with Oceanário de Lisboa in Lisbon, Portugal.

growth (see story, page 10).

"You have to understand your audience and change the delivery of the message accordingly," Ms. DeMartino said. "Not only does it affect premiums, it also affects retention, recruiting, engagement, productivity. There's so much that goes into it."

And by empowering Event Network's greatest asset—its employees—to adopt healthier work- and lifestyles, the company that started as a single store with the traveling Titanic exhibit in Boston in 1998 has grown to more than 70 locations across the United States and Canada, recently opening its first European store in Lisbon, Portugal. It has 1,260 employees, more than 350 of whom have come on board since 2008.

"Wellness really is a strategic decision. It needs to be part of the larger business acumen and culture. Wellness touches every part of business, not just health and benefits," said Ms. DeMartino, who was named *Business Insurance's* 2012 Benefit Manager of the Year® for her accomplishments.

Reflecting this philosophy, Ms. DeMartino has made sure wellness initiatives at Event Network are available to every employee, even those in the most far-flung locations, regardless of whether they are enrolled in the company's health benefits plans.

In fact, even though only 353 employees and dependents are covered by the company's health plans, more than 500 employees companywide participated in last year's "Walktober" event in which individuals and teams could earn prizes for chalking up the most minutes of activity (see story, page 12).

And many of the company's wellness initiatives are only peripherally connected to health care, fostering personal growth

See **DeMartino** next page

Working happily with wellness plan

Innovative health strategy lowers insurance costs

By **JOANNE WOJCIK**

Like many fully insured midsize employers, Event Network Inc.'s health benefits budget was hemorrhaging.

Despite having a mostly 30-something workforce and company support of healthy lifestyles, the San Diego-based niche retailer could not prove to its insurer that it should not be paying rate increases ranging between 9% and 12% each year because its experience was pooled with that of other employers in the Southern California market.

But Meredith DeMartino, executive vp of talent development at Event Network, knew that if she could obtain meaningful

health and utilization data from her insurer, and identify and address the health care cost drivers with targeted programs promoting health, she might be able to slow the bleeding.

So in 2008, Ms. DeMartino joined forces with her broker, wellness plan providers and a new health insurer that was willing to share Event Network's experience data to form what she calls "Partners in Wellness." The resulting program was so successful that she was able to roll back the company's April 1, 2011, health insurance renewal premiums to 4.8% below what they had been the year before. In addition, Event Network's insurer, Blue Shield of California, provided an additional \$10,000 in funding to support the company's wellness initiatives.

Moreover, health risk assessment results showed that employees were becoming

more physically active, tobacco use was diminishing, the number of health risks was declining, and employees were happier and much more satisfied with their jobs.

At the same time, absenteeism had fallen, with the number of individuals taking five or more sick days down to 2% in 2011 compared with 8% in 2010. Voluntary turnover also plummeted to 3% in 2011 from 11.5% in 2008, the year Ms. DeMartino launched her wellness initiative.

By being able to document the return on investment in the company's wellness plan in financial terms and productivity enhancements, Ms. DeMartino easily persuaded Event Network's leadership to reinvest those savings in an innovative new corporate campus that would serve as the foundation for a long-term wellness strategy that would support the company's continued

Green building reflects wellness

By JOANNE WOJCIC

When Event Network Inc. outgrew its old corporate headquarters, Meredith DeMartino, executive vp of talent development, was charged with finding a new location.

As project manager, she sought a building that had more of a campus feel than that of an office park. But what she found was an old and somewhat dingy office building with “good bone structure” situated high on a hilltop overlooking Montgomery Field, a general aviation airport north of San Diego.

She then engaged the services of Carrier Johnson + Culture, a San Diego-based architectural and interior design consultant known for its innovative work, to transform the building into her vision of a corporate campus designed to facilitate creativity and productivity. She wanted an open and airy interior that let in lots of natural light from the outside, as well as an inviting but functional surrounding landscape.

The end result, which took just eight months to complete, was officially certified as LEED Gold for commercial interiors under the Washington-based U.S. Green Building Council’s Leadership in Energy and Environmental Design program.

Crossing the threshold into Event Network’s new corporate headquarters, visitors enter a “cultural hallway” decorated with vestiges from the company’s first gift shop—which Event Network continues to operate—associated with the traveling Titanic exhibit.

Ms. DeMartino refers to the glass-encased scale model of the famed passenger liner that sunk in the North Atlantic on April 15, 1912, after colliding with an iceberg on its maiden voyage, as the company’s literal “flagship.”

In this vestibule, Event Network also proudly displays its first-place awards from the San Diego Business Journal for being the city’s healthiest small employer in 2010 and healthiest midsize employer in 2011.

That change in size category reflects the company’s rapid growth. Since its inaugural Titanic gift shop opened in Boston in 1998, the company has grown to 70 retail gift shops and 1,250 full-time, part-time and seasonal employees.

Turning left after being greeted by a cheerful receptionist titled director of first impressions, visitors to Event Network’s corporate headquarters encounter slideshows of the company’s retail gift shops on flat-panel TVs

1.7%

The Event Network campus is tobacco free, inside and out, to discourage smoking. Tobacco usage fell to 1.7% in 2011 from 8% in 2008, thanks to implementing a smoking cessation program.

hung on the walls of a long hallway that leads to one of two corporate kitchens equipped with convection and microwave ovens, refrigerators and dishwashers, which were installed to discourage employees from using disposable dishes or utensils in order to meet LEED sustainability criteria.

Next to the indoor kitchen is a gym featuring several types of exercise equipment including treadmills, stationary bicycles, free weights and exercise balls.

Adjacent to the gym is a “quiet



MICHAEL MARCOTTE

Event Network Inc.’s headquarters was officially certified as LEED Gold for commercial interiors under the Washington-based U.S. Green Building Council’s Leadership in Energy and Environmental Design program.

room” furnished with a row of cushioned rattan chaise lounge chairs separated by curtains hung from the ceiling to provide privacy. Because the room is intended to provide a break from work, employees are discouraged from bringing any electronics, including cell phones, into the room, though electronic readers are permitted. A boom box sits by the door with a stack of New Age CDs.

The kitchen, gym and quiet room windows all offer views of the surrounding hills and a patio featuring a dining area with an outdoor grilling area. Also outside, a sidewalk separates the building from two grassy areas used for outdoor exercise, including weekly yoga and Zumba classes. Behind the building is a row of raised garden plots where employees are encouraged to grow their own fruits and vegetables to either take home or use in cooking their own meals while at work.

The entire campus is tobacco free, inside and out, to discourage smoking. In fact, tobacco usage fell to 1.7% in 2011 from 8% in 2008, thanks to implementing a smoking cessation program that pays 100% of the cost of prescription drugs and other quit aids.

A wall of windows encircles most of the building, and an exterior corridor surrounds employee cubicles that have shortened walls to enable this natural light to pass over them.

Though Ms. DeMartino and the

company’s other top executives have offices, they are all on the interior of the building. Instead of doors, they have sliding glass windows that can be rolled closed to provide auditory privacy. Similarly, two meeting rooms separated by a hallway can be merged into one large room when two glass walls are raised like garage doors.

Ergonomic desk chairs that mold to employees’ individual posture are provided for each workstation, and each cubicle is equipped with a padded file cabinet on wheels that serves as a guest chair. Other upholstered seating areas are scattered throughout the hallways and in the creative department, where employees engage in brainstorming.

Instead of name plates, each cubicle and office comes equipped with a plaque that identifies favorite movies, books and other pleasurable pastimes enjoyed by each employee.

“They gave us a clear message about what they wanted the headquarters to be like,” said Danette Ferretti, design principal at Carrier Johnson.

“Their whole culture is about health and wellness, and they work for so many nonprofits like botanical gardens, zoos and preservation societies, which is why they wanted an environment that would allow them to be outside with nature,” Ms. Ferretti said.

DeMartino: Wellness pays off

CONTINUED FROM PREVIOUS PAGE

through social interaction and community service (see story, page 12).

“When we look at wellness, it’s a lot more than the traditional elements,” Ms. DeMartino said. “It’s also about personal and professional development, as well as community outreach.”

Nearly every one of the company’s 85 headquarters employees undergo biometric testing and complete health risk assessments during the company’s health fairs each spring. Employees working in Event Network’s stores are encouraged to visit off-site medical centers, where they receive the same testing at no cost to them.

Employees companywide are encouraged to participate in wellness competitions and promotions that are conducted online.

Despite all of these investments in wellness and health promotion, Event Network is continuing to keep costs in check, experiencing only a 6.9% increase in 2012 compared with a regional average trend rate of 11%.

“Blue Shield recognizes this client as being proactive with employee health, and therefore it has afforded them a greater ability to negotiate their renewal and to request wellness funds,” said Beth Taylor, senior consultant for health and performance at Intercare Insurance Solutions in San Diego, Event Network’s insurance broker.

Ms. Taylor said Event Network and Intercare also have negotiated with the health insurer to obtain additional data reports with more detail on prescription drug utilization, diagnoses and large claims, as well as an additional \$10,000 in wellness funding.

Blue Shield declined to comment.

“We’re ahead of the curve now,” said Ms. DeMartino. “Our company’s renewals are the polar opposite of what other employers in the region are experiencing.”

Not resting on this success, Ms. DeMartino still explores new and often unconventional ways to improve employee health, such as providing daily meditation breaks, chef-led healthy cooking classes and community garden plots.

Ms. DeMartino said her next step is to engage spouses, dependents and even the roommates who make up Event Network employees’ support systems.

Some might go so far as to say Event Network’s holistic approach to wellness is actually slowing the aging process among its employees. Though the average age of employees in 2011 was 38, their “health age”—a measurement based on lifestyle choices and health risks—is just 36.6 (see related story).

For wellness to be successful, “it has to be part of your business plan,” said Ms. Taylor.

Focus on healthy lifestyles helps slow the aging process

While many employers are struggling with the effects of an aging workforce, Event Network Inc. has discovered the fountain of youth.

By supporting a healthier lifestyle, Event Network’s corporate wellness programs are helping to make its workforce physiologically younger by effectively reducing the “health age” of employees compared with their chronological ages.

Though the average age of an Event Network employee is 38, employees’ “health age” averages 36.6.

The Health Age calculator that Event Network uses was

developed by WellSource Inc., a health risk assessment and wellness program vendor in Clackamas, Ore. The calculator is based on the 1974 “Health and Ways of Living Study” that examined the health practices of 6,928 people in Alameda County, Calif., for 15 years and determined which were tied to longevity. The study found that people who followed all or nearly all of 10 good health habits identified by researchers lived an average of 12.5 years longer than those not following such a healthy lifestyle.

The 10 key good health habits are:

- Physical activity: Thirty minutes most days of the week reduces risk for many diseases.
- Not smoking: Smoking can reduce life expectancy by up to eight years.
- Body weight: People with a body mass index below 25 live longer.
- Reduced red meat in the diet.
- Eating three or more whole grain foods a day, which is shown to reduce the risk of heart attacks.
- Eating five to nine servings of fruits and vegetables daily.
- Eating about an ounce of nuts daily, which is shown to reduce the risk of heart attacks.
- Maintaining a happy, hopeful outlook. Unhappiness erodes mental and physical health.
- Having the social support of friends, family and groups.
- Getting seven to eight hours of sleep a night.

The health age is calculated based on proprietary scoring algorithms developed by WellSource that compare the results of the original study against the number of good health practices employees follow, using their collective responses to strategic questions in an annual online health risk assessment.

—By Joanne Wojcik

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Bringing on some healthy competition

By JOANNE WOJCIK

Recognizing that bragging rights and high-tech gadgetry would provide more incentive than premium discounts for Event Network Inc.'s spirited and scattered workforce to engage in wellness activities, Meredith DeMartino, executive vp of talent development, devised a series of wellness challenges in which individual employees and teams of employees could compete.

The San Diego-based niche retailer for cultural attractions often holds sales and creativity contests, including an annual "EN's Got Talent" competition where employees present ideas for new products to be sold in its stores in a fashion similar to the popular reality TV show.

"Part of it is understanding your culture and what incentives work in your culture. Being in retail, we have a competitive environment. So it's less about getting to save \$20 every pay period on benefits and more about the bragging rights that comes with being the top producer," Ms. DeMartino said. "We like to do things that people can see and celebrate."

And, to further emphasize the company's focus on wellness, awards for winning the competitions are handed out at the company's annual meeting in conjunction with recognitions given for meeting sales and other performance goals, she said.

However, employees that do not use tobacco still are eligible to save \$10 per pay period on their health insurance contributions. In addition, all employees enrolled in the company health plans can save \$10 per pay period for completing an annual health risk assessment and biometric screening.

The most successful Event Network-sponsored wellness competition is "Walktober," a monthlong event held in October that encourages employees to "get moving" by earning points for various activities including walking and gardening.

Participating employees download their activity, which is tracked by electronic sensors called "accelerometers" designed to measure various types of movement. The sensors, which are attached to employees' shoes, are provided by Carlsbad, Calif.-based Sonic Boom Wellness, Event Network's online wellness tracking partner. Employees also can earn points for proper hydration and eating healthy.

Employees compete individually and as part of teams. The activity points earned by each team member are averaged across the group. Individuals with the most points are eligible to win prizes like water bottles, while teams with the most points on average can earn various perks like pizza parties.

Dashboard shows big picture of wellness

Meredith DeMartino, executive vp of talent development at Event Network Inc., keeps track of wellness program progress through the use of dashboard reports provided by her broker, San Diego-based Intercare Insurance Solutions L.L.C.

Even though San Diego-based Event Network's experience is pooled with that of other Southern California employers in Blue Shield of California's book of business, Intercare was successful in obtaining the data necessary to compile these reports through negotiations with the insurer, according to Beth Taylor, senior consultant for health and performance at Intercare. Besides claims data, Intercare also has obtained more detail on prescription drug use and diagnoses.

"It's still the rear-view mirror, but it helps paint the entire picture. We really want to look at all those indicators, the leading indicators as well as the lagging indicators," said Ms. Taylor, calling it the "IBI approach." Intercare is an affiliate member of the San Francisco-based Integrated Benefits Institute.

Specifically, Intercare has

adapted the dashboard reports using the three categories of lagging, treatment and leading indicators developed by IBI for understanding the "total cost view" of health for an employer. For example, claims history is often a lagging indicator of a

\$700,000

Event Network has saved close to \$700,000 since it began emphasizing wellness and prevention, according to Intercare dashboard reports.

group's future health care costs, whereas health risk assessments and biometric test results generally serve as leading indicators, showing where a group may be headed, Ms. Taylor said.

The "dashboard reports" also incorporate research by the University of Michigan's Health Management Research Center in Ann Arbor, Mich., which found that health care

costs grow proportionately with the number of health risks. For example, health care costs rise 2.24 times higher annually for individuals with five health risks vs. 0.4% higher per year for those with one health risk, according to the university's research findings. The average number of health risks in the U.S. population is 2.2 per person, according to the university's study of 205,216 employees, which was published in the Journal of Occupational and Environmental Medicine in 2004 and 2006.

The top five risk factors among Event Network's employees are obesity, low HDL cholesterol, high blood pressure, high stress and other chronic health problems such as heart disease, cancer, stroke, diabetes, asthma or arthritis, according to the dashboard reports.

The good news is that the average number of risk factors has declined among Event Network's population to 1.3 in 2011 from 1.7 in 2010. The dashboard reports also show that tobacco use is down to 1.7% of employees in 2011 from 8% of employees in 2010;

only 7% of employees are considered inactive, down from 18% in 2010; and the number of individuals with five or more sick days has fallen from 8% in 2010 to 2% in 2011.

Moreover, Event Network's health care spending has fallen precipitously compared with other Southern California employers. While the company experienced a 12% rate increase in 2010-2011 vs. the average health care trend of 10%, its costs actually fell by 4.8% compared with an average upward trend of 10% in 2011-2012. Altogether, Event Network has saved close to \$700,000 since it began emphasizing wellness and prevention, according to the Intercare dashboard reports.

Ms. DeMartino is even more excited about the potential future impact of one of the leading indicators spotlighted in the dashboard reports: readiness to change lifestyle behaviors. The reports show a steady year-over-year increase in employees moving from the pre-contemplative stage to the planning and action stage.

"We like to see movement," she said.

—By Joanne Wojcik

Health, happiness, job satisfaction

By JOANNE WOJCIK

When Event Network Inc. assesses the health of its employees, the health risk assessment touches on delicate personal topics such as emotional well-being and job satisfaction, a step beyond the typical HRA, because the company recognizes that happy employees are productive employees.

From the day job applicants interview for a position at the San Diego-based operator of gift shops for cultural attractions, they learn about the company's culture of health, and every new hire receives a gym bag containing a sweatshirt, books on business transformation, a handwritten welcome letter from the president, an exercise ball, a reusable culinary set and a water bottle.

The new corporate campus also was designed to foster an environment representative of the healthy culture Event Network espouses.

"We want people to get up and move during the day, not just sit in their cubicles. It enhances creativity when you change your environment," said Meredith DeMartino, Event Network's vp of talent development.

Event Network also has a career coach on retainer available as a free resource to employees. Besides providing career advice, the coach also helps employees work on their interpersonal relationships with coworkers.

To facilitate social interaction during the workday, every cubicle is equipped with a padded rolling file cabinet that doubles as a guest chair. The company also provides support for the Naval Special Warfare Family



MICHAEL MARCOTTE

From left, Sandi Fowler, benefits manager; Rachael Ruiz, senior human resources manager; Meredith DeMartino, executive vp of talent development; Diana Sithiyopasakul, human resources generalist; and Courtney Fong, training and development manager at Event Network Inc.

Foundation and Rady Children's Hospital in San Diego, and encourages individual community involvement.

As a result of these and other wellness programs designed to elevate employees' emotional state, overall mental health and happiness and employee job satisfaction levels were at 97%, according to the assessment tool provided by Clackamas, Ore.-based WellSource Inc., which developed Event Network's HRA.

Since the company launched its wellness strategy in 2008, voluntary employee turnover has fallen to 3% in 2011 from 11.5% in 2008. This compares with an industry average hover-

ing between 25% and 50%. Absenteeism also is down, with the number of employees taking five or more sick days annually falling to 2% in 2011 from 8% in 2010.

"Wellness is so much more than what most people think. It's more than just weight loss and nutrition. It really is a holistic approach. It's also about personal and professional development as well as community outreach," Ms. DeMartino said.

The many "lunch-and-learns" that Event Network offers employees address topics from emotional intelligence and counterintuitive thinking to financial security and conflict resolution.

From New York to West Coast

When Meredith DeMartino entered the University of Albany in New York in the early 1990s as a marketing and finance major, she imagined that one day she would end up working on Wall Street.

Instead, she began a career in human resources at Micro Interactive Inc., a multimedia startup firm in New York City, soon after graduating in 1995.

"I was employee No. 15," she said. "And they just started to grow, and I started to get involved with helping them with the growth from the talent acquisition, or recruiting, aspect. And then as we got larger, there was a need to really take on that HR role. I loved it so much, I ended up leaving that organization so I could go to a larger organization where I could truly learn the corporate HR function."

What Ms. DeMartino likes best about being in human resources is the fact that it also allows her to put what she calls her "numbers side" to use, especially when she is working on benefits programs.

An opportunity to become compensation and benefits manager at Carlsbad, Calif.-based Dot Hill Systems Corp. brought her to the West Coast in 2001, and she went back to school at night, earning her master's degree in business administration at California State University San Marcos in 2003.

She became attracted to Event Network Inc. in San Diego when efforts to meet up for a business dinner with President Larry Gilbert, one of the company's founders, didn't pan out.

"He suggested we meet for breakfast instead because he said he made a point of having dinner with his family every night at 5:30," she said.

Ms. DeMartino continues to espouse Event Network's family-friendly culture through the design and implementation of the company's benefits programs, including its on-site garden plots, its "family kitchens" and its regular support of community volunteer work.

Family members also are encouraged to participate in Event Network's many wellness challenges and in annual enrollment meetings, which are held via conference call because most of the niche retailer's 1,250 employees work remotely in stores away from the company's San Diego headquarters.

Further perpetuating the familial tone of the firm is the way cubicles and offices are labeled. Instead of traditional employee name plates, colorful plaques list biographical information that provides a glimpse into each resident's unique personality. Ms. DeMartino's plaque, for example, shows that she hails from Dix Hills, N.Y., and she has a 20-pound black-and-white cat named Roxy.

She and her husband, Chris, a graphic designer who operates his own business out of their home in nearby Carlsbad, also have two young sons: Ryan, 6, and Brady, 3.

—By Joanne Wojcik



MICHAEL MARCOTTE

From left, Kathleen Porter, account representative at Intercare Insurance Solutions; Meredith DeMartino; and Beth Taylor, senior wellness consultant at Intercare.

Event Network's range of benefit plans

All full-time employees of San Diego-based Event Network Inc. are eligible to enroll in either a preferred provider organization plan or a high-deductible consumer-driven health plan with a health reimbursement arrangement, both underwritten by San Francisco-based Blue Shield of California.

California employees also can enroll in a Blue Shield health maintenance organization, while Hawaii employees can enroll in a PPO. Part-time employees are eligible to enroll in an employee-pay-all PPO.

Event Network employees also have access to health care and dependent care flexible spending accounts; an employee assistance program provided by the Holman Group Inc.; a 401(k) retirement plan administered by TransAmerica Corp.;

vision benefits from Vision Service Plan; dental, short-term and long-term disability benefits as well as life and accidental death and dismemberment insurance underwritten by Lincoln Financial Group; and a parking and transportation flex plan administered by Igoe Administrative Services.

Of its 1,250 employees, 216 employees and 137 dependents are enrolled in Event Network's group medical plans, including 59 employees and 39 dependents in the HMO; 26 employees and 12 dependents in the CDHP; and 131 employees and 86 dependents in the PPO plans. Dental enrollment totals 234 employees and 169 dependents, while vision enrollment totals 225 employees and 153 dependents.

—By Joanne Wojcik



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Ingo Zimmermann, Head of EADS Corporate Insurance Risk Management

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BP AMERICA INC.



RAY VIATOR

Moving BP to a culture of wellness is only one of Mr. Dorazil's accomplishments. In his five years with BP, Mr. Dorazil's achievements also include:

- Leading a drive to convert a vacant child care center to an on-site health and wellness center, improving employee access to coverage and potentially cutting BP's health care costs (see story, page 15).

- Convincing senior management that by boosting amounts credited to retirees' health reimbursement accounts, BP stood a much better chance of retaining veteran skilled employees, while also attracting older and younger critical new talent (see story, page 16).

- Winning senior management approval of a plan that better protects the value of employees' lump sum pension benefits from interest rate fluctuations, reducing the retirement rate of critically needed long-service employees (see story, page 15).

For those achievements, Mr. Dorazil was named to the 2012 *Business Insurance* Benefit Management Honor Roll®.

Those who have worked with him credit Mr. Dorazil's success to experience, determination and insight.

"He has the knowledge and the vision to know how to create value for employees and for the company," said Jeff Heller, an associate general counsel for BP in Houston.

"Rick is a risk-taker. He is willing to push the organization when he sees a need. For the health and wellness center, he saw the need and built the business case for it," said Ross Baker, a senior partner with Mercer in Chicago.

"He is a very creative and energetic leader. He is not afraid to try out different approaches and he strives to achieve the best results," said David Weissner, a partner in Mercer's Chicago office.

While Mr. Dorazil is proud of his accomplishments, he is cautious, too. On the health care cost front, he is determined that the reduction in cost increases be sustained through a culture of wellness.

To that end, for example, employee testimonials on the positive impact of participating in programs to earn the 1,000 points needed to qualify for HealthPlus are published in a BP quarterly magazine, "Benefiting You."

And those stories have inspired other employees to relate their stories. "Now, we are getting hundreds of testimonials. We are getting to the point where employees feel they own this," Mr. Dorazil said, referring to improving their health.

Employee buy-in powers health drive

High participation in wellness initiative limits cost increases

By JERRY GEISEL

Like nearly all employers, BP America Inc. has been battling hefty health care cost increases for years.

In 2008 alone, BP's health care costs increased by roughly 10%. That double-digit increase was nearly 50% greater than the 6.3% average cost increase employers were hit with that year, according to a Mercer L.L.C. survey.

Rick Dorazil, vp-total reward, Western Hemisphere for the Houston-based energy giant, started to analyze claims in search of clues as to why costs were increasing so much.

In analyzing the data, one statistic leaped out: just 6% of health care plan participants were responsible for almost 60% of claims costs.

That statistic brought home what Mr. Dorazil believed needed to be done to bring down health care cost increases to more reasonable levels: create a culture of wellness.

"At the core, we needed employees to actively participate in their own health care," Mr. Dorazil said.

Mr. Dorazil knew creating such a culture would not be easy. "BP employees are fiercely independent," he said. A wellness program could only succeed if it were voluntary and the employees "were engaged to the point where they owned it," he said.

Mr. Dorazil, with his health care team, designed a wellness program that did just that. BP's existing preferred provider organization plan was divided into a standard plan and a new arrangement called HealthPlus. Included in the HealthPlus option were a variety of wellness initiatives.

Like the standard PPO, employees would pay the same monthly premium for the HealthPlus PPO. But the new plan would feature lower claims cost-sharing requirements. In all, a typical family of four could incur up to \$1,200 less in out-of-pocket expenses each year if they joined the new health care plan.

To qualify for HealthPlus in the first year, which would be available on April 1, 2010, all employees had to do was complete a health care questionnaire during

BP P.L.C.

BUSINESS: One of the world's largest energy companies

FOUNDED: 1909 (as the Anglo-Persian Oil Co.)

HEADQUARTERS: London

2011 FINANCIALS: \$375.5 billion in sales and other operating revenues, \$25.7 billion in net profits

EMPLOYEES: 83,400, including 24,600 in North America

DID YOU KNOW:

BP has:

- 21,800 retail sites
- 17.75 billion barrels of oil equivalent reserves
- Owns or holds a share in 16 refineries, including five in the United States

annual enrollment.

In addition, to be eligible for the option the next year, an

employee would have to earn 1,000 wellness points by Dec. 31, 2010. BP gave employees a variety of ways to earn those points—all intended to improve health. Eligible activities included participating in running events, participating in smoking cessation and weight loss programs, and completing an annual physical.

"At the core of this was to get employees actively involved in their health care," Mr. Dorazil said.

BP's outside health care consultants said it would be realistic to expect 60% of eligible employees to complete the questionnaire and the 1,000-point requirement.

In fact, 92% of eligible employees completed the requirement.

With so many employees participating in the wellness programs, health care cost increases have fallen. In the last half of 2011, cost increases were running at 4% compared with a year ago.

And in 2012, all indications are that positive claims experience will continue.

For example, in analyzing claims data since 2010, BP found that the percentage of employees with major health care risks, such as obesity and high blood pressure, has dropped by almost 10%.

Relieving anxiety over pensions

BP's plan change allays concerns of older employees

By JERRY GEISEL

The employee demographics at BP America Inc. are probably not much different than other petroleum companies, says Rick Dorazil, BP's vp-total reward, Western Hemisphere.

"We are not unusual in the gas and oil environment. A significant portion of our population is eligible to retire," he said.

And that demographic fact could pose a big problem. "We have critical talent," he said, referring to the drillers, engineers, geologists and others who work for the Houston-based oil giant.

One challenge for BP, Mr. Dorazil said, was how to retain a portion of that veteran, skilled staff while newer, younger employees that eventually will replace the long-service employees are developing their skills.

That challenge was exacerbated by the pension plan design of several companies, including Amoco Corp., Atlantic Richfield Co. and Castrol Ltd., that BP acquired over the years. Those organizations sponsor final average pay pension plans that are interest-rate sensitive when calculating lump-sum benefits, so the lower the interest rate, the higher the lump-sum



RAY VIATOR

Richard Dorazil, Clifford York, director, pension & savings; and Cathy Filippelli, retirement consultant.

amount.

The low interest rates were the result of a deliberate policy by federal regulators to jump-start the nation's economy when the economy dramatically weakened in 2008.

The 30-year Treasury bond rate dropped to a record low of 2.87%

in December 2008, Mr. Dorazil said. And at that interest rate level, "long-service employees were seeing huge increases in their lump-sum benefits," he said.

The volatility of interest rates and what they could do to the lump-sum pension benefit value triggered worries among older,

longer-service employees. Many were concerned that, as interest rates fell while the economy was sinking, federal regulators would almost certainly boost interest rates to hold down inflation when the economy improved, thus reducing lump-sum values.

Concern began to build. More

employees were requesting estimates of their lump-sum benefits, Mr. Dorazil said. And if those employees requesting benefit estimates retired, the reservoir of experienced employees with critical skills that BP wanted to keep would be rapidly depleted.

"We wanted to keep the critical talent," he said. "We didn't want the pension plan to become a reason to leave."

At the request of BP senior management, Mr. Dorazil was given the challenge in early 2011 to "de-risk" the pension plan design so that it would not provide a reason for an employee to prematurely leave BP. Working with Cliff York, BP's director of retirement plans and members of BP's retirement department, Mr. Dorazil and the team developed a proposal that they presented to BP senior management.

It was approved.

Under the approach, the interest rate used to value the lump-sum benefit would be the lesser of 4.8% or the rate based on methodologies laid down by a 2006 pension funding reform law.

That new policy—effective July 2011—"was like putting a hot pin in a balloon. It immediately took out the anxiety level," Mr. Dorazil said.

In fact, the rate of retirement for employees affected by the interest rate issue has dropped since the change was announced a year ago, even though interest rates have continued to fall.

"We clearly met the goal of taking the pension plan/lump-sum issue off the table as a reason to leave," Mr. Dorazil said.

Employees reap benefits of on-site health center

By JERRY GEISEL

For the more than 8,000 BP America Inc. employees who work at the petroleum giant's Houston headquarters, primary medical care, lab work, dental care, vision care and prescription drug refills are just a short walk away.

Opened on Oct. 4, 2011, the Westlake Health and Wellness Center is a gleaming 14,000-square-foot on-site health and wellness center—developed at a cost of \$6 million—that provides a world of convenience to BP employees, their families and retirees.

The facility, which is run by Take Care, a unit of Walgreen Co., has a staff of 48 health care professionals. The goal is that patients will not have to wait more than five minutes to see a caregiver, said Rick Dorazil, BP's vp-total reward, Western Hemisphere.

When BP relocated its existing child care center, Mr. Dorazil helped to convince senior management to redevelop the facility as an on-site wellness center. Mr. Dorazil said having an on-site wellness center would be mutually beneficial for employees as well as for BP. For employees, the convenience of an on-site center means less time away from work.

That convenience not only would save time for employees, it also would increase the likelihood that employees would tend to health care problems sooner, decreasing the likelihood that relatively easy-to-treat health care problems would turn into more expensive complications, Mr. Dorazil said. Having an on-site health center also would help employees navigate through the medical system, resulting in better, more appropriate care, he added.

With operating hours of 7 a.m. to 6:30 p.m. Monday through Friday and 8 a.m. to noon on Saturdays, the facility has more flexible hours than many doctor's offices.

For BP, the operating costs to run the facility and provide services are lower compared with what BP would have to pay when employees see other providers.

In fact, BP gives employees a financial incentive—a \$10 copayment for medical services compared with a \$20 copayment in BP's preferred provider organizations—to use the facility. Since the facility opened, its volume has grown to around 1,200 patients per month.

The success of the Westlake Health and Wellness Center has led BP to begin exploring its other U.S. sites for an additional facility.

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Creative approach to retiree health

New plan helps BP retain key workers, attract young talent

By JERRY GEISEL

When it comes to employer sponsorship of retiree health care plans, one trend leaps out: Fewer employers provide coverage.

In 2011, just 16% of employers offered coverage to Medicare-eligible retirees and 24% provided coverage to pre-Medicare-eligible retirees, according to a Mercer L.L.C. survey.

That's a huge drop from the late 1990s. In 1997, for example, nearly twice as many—or 31%—of employers provided coverage to Medicare-eligible retirees, while 38% offered coverage to pre-Medicare-eligible retirees.

BP America Inc. is bucking that trend. In 2004, when it froze its traditional retiree medical program to new employees, it created a new arrangement—called a retiree reimbursement account—for employees hired after March 31, 2004. Then, in 2008, it increased the annual amount credited to the accounts threefold.

Employees who meet vesting requirements—age 50 with at least 10 years of service, or age 55 and

older with five years of service, whichever is earlier—can use the accounts when they retire.

Account balances can be used to pay premiums for coverage in BP's retiree health care plans. They also can be used to pay for out-of-pocket retiree health care expenses, such as expenses that fall under a deductible. And they are flexible enough to pay premiums for coverage offered by an employer where the employee's spouse worked.

BP credits up to \$10,500 to an employee's account a year. That's triple the prior maximum of \$3,500 per year, which wouldn't begin to cover the cost of coverage for a pre-Medicare-eligible retiree.

"The \$3,500 credit would fall far short of actual annual expenses for a typical retiree," said Rick Dorazil vp-total reward, Western Hemisphere for BP America Inc. in Houston.

Mr. Dorazil and his team built the case to BP's top management in the United Kingdom for a substantial boost in the amounts the company would credit to employees' accounts.

By increasing amounts credited to retirees' health reimbursement accounts, BP stood a much better chance of retaining veteran skilled employees while also attracting older and younger critical new talent.



RAY VIATOR

Richard Dorazil, Greg Dagley, Benefits Consultant; Karl Dalal, Director, Health & Welfare; Bonnie Hargett, Manager Benefits Communications

"A long-term employee could end up with a couple of hundred thousand dollars in the account," he said. And that could go a long way toward meeting retirees' health care expenses.

BP top management signed on, and the maximum annual credit was boosted to \$10,500 in 2008.

"This is an important piece of our total reward package, and I believe we did the right thing here," Mr. Dorazil said.

BP's cash balance plan offers flexibility, value

By JERRY GEISEL

In 1989, BP America Inc. converted its existing final average pay pension plan to a cash balance plan, becoming one of the first major employers to adopt what was then a still relatively new plan design.

More than 20 years after BP made the switch, the appeal of the plan remains powerful, says Rick Dorazil, BP's vp-total reward, Western Hemisphere.

"One doesn't have to wait until the end of his or her career to build a significant balance, as is the case with a final average pay plan. Cash balance plans provide a more even accrual of benefits," Mr. Dorazil said.

That steadier buildup of benefits means employees can earn a significant benefit after just a few years of service, Mr. Dorazil said, an advantage as the workforce becomes more mobile.

And since the benefit is expressed as a lump sum, it is highly visible and thus appreciated by plan participants, he said. "I can see my vested balance. I know what I am going to walk away with," Mr. Dorazil said.

Many other employers, though, have frozen defined benefit plans, including cash balance plans. Indeed, a Towers Watson & Co. analysis published last year found that 40% of Fortune 1000 companies with defined benefit plans had frozen at least one of those plans, up from just over 7% as recently as 2004.

But BP is sticking with its cash balance plan for several reasons. Pragmatically, BP's major competitors still offer pension plans. But just as important, BP's pen-

sion plan is highly valued by both new and veteran employees, Mr. Dorazil said.

And the time may come when employers may be at a competitive disadvantage if they do not offer a pension plan, he said.

"The under-age-35 population is starting to connect the dots. They understand that with a 401(k) plan, all the investment risk is on them," he said. And that younger generation saw the consequences of that risk during the economic downturn that began in 2008, when the value of many employees' 401(k) account balances plunged along with the stock market, he said.

"They (younger employees) saw what happened to their parents," Mr. Dorazil said.

Unlike many other employers, BP's cash balance plan is fully funded, Mr. Dorazil said. Recently, the company moved to an investment strategy in which more plan assets are invested in bonds and other fixed income investments, and less in equities.

That shift has reduced investment volatility, with the maturity of fixed income investments linked to meeting the plan's cash needs to pay benefits.

Under the plan, employees receive pay-related credits. In addition, they also receive interest credits. Interest on employees' account balances is tied to the interest rate on 30-year U.S. Treasury bonds, with a minimum annual 5% interest credit.

"If managed correctly, a cash balance plan will provide tremendous value to employees, while providing funding flexibility for the company," Mr. Dorazil said.

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Teacher turns student of benefit management

Ground-up learning started path that led to benefits career

By **JERRY GEISEL**

Like many benefit managers, Rick Dorazil's path to the employee benefits field was a circuitous one.

After graduating in 1975 with a degree in elementary education from Western Illinois University in Macomb, Ill., Mr. Dorazil, vp-total reward, Western Hemisphere at BP America Inc. in Houston, taught for several years at elementary schools in central Illinois.

During that time, Mr. Dorazil became friends with Wade Vanderpoel, a senior vp in the master trust department at the First National Bank of Chicago.

Mr. Dorazil says he greatly admired Mr. Vanderpoel's intellect. "I label people, and the highest label I could give anyone is 'whiz kid.' He was just unbelievably bright and wicked smart in finance, investments and most everything else," Mr. Dorazil said.

When Mr. Vanderpoel suggested that Mr. Dorazil take a couple of business courses, he took that advice and enrolled in an accounting course.

"I really enjoyed it," Mr. Dorazil said, and applied to Loyola University of Chicago to study for an MBA.

After earning his master's from Loyola in 1979, Mr. Dorazil moved to Nashville, Tenn., where he accepted a position as a treasury analyst with Aladdin Industries, a manufacturer of school lunch kits and the Stanley thermos. He later moved on to Northern Telecom Ltd.—now Nortel Networks Corp.—where he worked in the treasury department and was involved in, among other things, short-term cash management.

While at Northern Telecom, he was approached by Don Petersen, Northern Telecom's assistant treasurer who gave him the responsibility of managing the company's thrift savings plan.

Looking back, Mr. Dorazil recalls his introduction to employee benefits as a "baptism by fire. I didn't know anything about benefits other than I had them."

He dug in quickly. He worked on developing Northern Telecom's flexible benefit plans and its 401(k) plan, one of the country's first.

"You learn from the ground up," he said of his years at Northern Telecom.

Later, he moved on to Playtex Inc. in Dover, Del., which was soon purchased by Esmark Corp. in Chicago, which in turn was acquired by Beatrice Corp. Beatrice transferred Mr. Dorazil to Chicago to run its defined contri-



RAY VIATOR

Mr. Dorazil is training for a roughly 50-mile hike this summer that will take him to the top of Mount Kilimanjaro in Tanzania.

bution plans group.

In 1989, Mr. Dorazil accepted a position as manager of health care programs at Motorola Inc. in Schaumburg, Ill. During his tenure at Motorola, where he later became vp-global reward benefits, he was involved in such projects as setting up benefits administration centers in Puerto Rico and Malaysia.

In 2002, Mr. Dorazil moved from Motorola to accept a position at Bank of America Corp. in Charlotte, N.C., and worked on projects such as adding paid maternity and paternity programs, and designing and implementing a profit sharing program. Under that program, Bank of America shared a portion of its profit—if certain financial targets were hit—with employees making less than \$100,000 a year.

"That was really embraced by" employees, Mr. Dorazil said.

In 2007, Mr. Dorazil accepted his position at BP America Inc. after his position at Bank of America was eliminated as the company began to pare its workforce.

There are many things Mr. Dorazil says he enjoys about working at BP. What he likes the most, he says, is the company's willingness to listen to "the soft voice in the room."

"What I appreciate at BP is they try very hard to do what they say. If you build the right business case and you have gathered and analyzed your data correctly, they will go with what the talent recommends," he said.

Mr. Dorazil, 59, is married and the father of three grown children. His wife, Debbie, is a retired preschool and elementary school teacher.

For recreation, Mr. Dorazil enjoys running. He has been training for a roughly 50-mile hike this summer that will take him to the top of Mount Kilimanjaro in Tanzania.



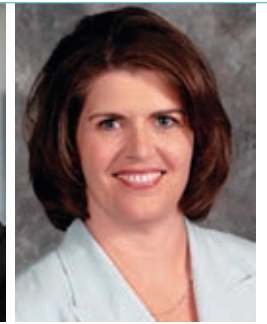
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Independent panel of judges selected 2012 honorees

Business Insurance created the Benefit Manager of the Year® award in 2005 to recognize excellence and innovation in employee benefits management.

In 2010, the magazine introduced the Benefit Management Honor Roll®.

Honorees are selected by a panel of independent judges, which includes the previous year's winner and benefit experts.

Judges for the 2012 awards were:

WILLIAM CUSTER, associate professor and director of the Center for Health Services

Research at the Robinson College of Business at Georgia State University in Atlanta.

JEFF LEONARD, managing director, retirement for Buck Consultants L.L.C. in Cincinnati.

DELIA VETTER, senior director of benefits and programs at EMC Corp. in Hopkinton, Mass., and the 2011 *Business Insurance* Benefit Manager of the Year®.

LORI WORTHINGTON, senior vp, director of operations and technology at Lockton Cos. L.L.C. in Kansas City, Mo.

METHODOLOGY

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

- Innovatively and effectively applied benefit programs to solve one or more major problems for his or her organization.
- Exhibited leadership in achieving change within his or her organization.
- Skillfully used technology to administer benefits programs and/or identify and address major problems such as health care cost drivers.
- Established and/or led an effective benefits communication strategy to effectively inform employees of benefit program changes.
- Developed in his or her career and promoted the advancement of the benefits profession.

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ACORD: Spotlight on predictive analytics

CONTINUED FROM PAGE 4

Similarly, Ian Ayres, author of "Super Crunchers: Why Thinking-by-Numbers is the New Way to Be Smart," said during a keynote address that insurers need to abandon the idea that analytics is the exclusive province of a small cadre of workers such as actuaries.

"My sense is that predictive analytics has been too segregated with actuarial departments," he said. "The best insurance companies will let analytics leak out of actuarial."

Mike Fitzgerald, senior analyst at Boston-based information technology consultant Celent L.L.C., a unit of Marsh & McLennan Cos. Inc., said an example of analytics

that has already fundamentally changed an insurance business process is telematics, which pairs data from mobile devices installed inside vehicles with sophisticated statistical analysis.

"Telematics devices enable insurers to monitor driver patterns and behaviors second by second," he said. "This is real-time insurance risk management and pricing and portends the future of insurance," he said during a panel discussion.

There was less agreement among the panelists on the extent to which social and Web technologies would alter another longstanding practice in insurance—the use of intermediaries as conduits between buyers and

1,800 ATTEND ACORD FORUM

ORLANDO, Fla.—Approximately 1,800 people, including insurance company executives and technology providers, attended the ACORD LOMA Insurance Systems Forum this year at Rosen Shingle Creek Hotel & Resort in Orlando, Fla.

Keynote speakers included the former U.S. Chief Information Officer Vivek Kundra and author Ian Ayres.

Sessions focused on a range of insurance technology-related topics, including claims, use of predictive analytics, compliance and standards.

Next year's forum will be held May 6-8 in Las Vegas.

—By Bill Kenealy

Josefowicz, Managing director of New York-based Novarica, a division of New York-based Novantas L.L.C., argued that the intermediaries were threatened by demographics, the Web and smartphones.

"The intermediary model that the industry has relied upon for decades was formed by limitations in information that no longer exist," he said. "Most of the people who are going to go to an insurance agent in the next decade have already been to insurance agents."

To the contrary, Kimberly Harris-Ferrante, vp and distinguished analyst at Stamford, Conn.-based Gartner Inc., said she sees intermediaries' role morphing into more of a service role and said buyer unwillingness to purchase policies directly looks to keep intermediaries in the picture for the foreseeable future.

Mr. Fitzgerald said he saw the future of intermediaries varying by lines of business, with intermediaries shifting to provide more of a risk management function in areas such as small commercial lines.

UP COMINGS & GOINGS CLOSE



NICOLE BOGARD

NEW JOB TITLE: Atlanta-based partner with Seyfarth Shaw L.L.P., leading the Atlanta employee benefits practice.

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NOTICE

Pursuant to an order of the Supreme Court of the State of New York, County of New York (the "Court"), entered July 20, 2011 ("Liquidation Order"), the then-Superintendent of Insurance of the State of New York and his successors in office were appointed as liquidator ("Liquidator") of Atlantic American Health Insurance Company, Austin Liberty Insurance Company, Axel Insurance Company of New York, Majestic Insurance Company of New York, MBL Property and Casualty Insurance Company and National Heritage Insurance Company, Inc. (collectively, the "Companies") and, as such, has been directed to take possession of the Companies' property, liquidate its business and affairs, and dissolve its corporate charter pursuant to Article 74 of the New York Insurance Law ("Insurance Law"). The Superintendent of Financial Services of the State of New York has now succeeded the Superintendent of Insurance as Liquidator of the Companies. The Liquidator has, pursuant to Insurance Law Article 74, appointed Jonathan L. Bing, Special Deputy Superintendent ("Special Deputy"), as his agent to liquidate the business of the Companies. The Special Deputy carries out his duties through the New York Liquidation Bureau, 110 William Street, New York, New York 10038. The Liquidator has submitted to the Court a verified petition ("Verified Petition") seeking an order: (i) approving the Liquidator's report ("Report") on the status of the Companies' liquidation proceeding ("Liquidation Proceeding"); (ii) terminating and closing the Liquidation Proceeding; (iii) releasing and discharging the Liquidator, his predecessors and successors in office, and their agents, attorneys and employees, from any and all liability arising from their acts and omissions in connection with the Liquidation Proceeding; (iv) authorizing and directing the Liquidator, in his discretion, to destroy or otherwise dispose of any and all of the books, files, records and other property of the Companies without further order of this Court; and (v) providing for such other and further relief as this Court may deem just and proper.

A hearing is scheduled on the Verified Petition on the 15 day of June, 2012, at 10:00 a.m., before the Court at the Courthouse, IAS Part 58, 111 Centre Street, in the County, City and State of New York. If you wish to object to the Verified Petition, you must serve a written statement setting forth your objections and all supporting documentation upon the Liquidator and Clerk of the Court, at least seven business days prior to the hearing. Service on the Liquidator shall be made by first class mail at the following address:

Superintendent of Financial Services of the State of New York as Liquidator of Health Partners of New York
110 William Street
New York, New York 10038
Attention: John Pearson Kelly, Esq.
General Counsel

The Verified Petition and Report are available for inspection at the above address. In the event of any discrepancy between this notice and the documents submitted to Court, the documents control.

Requests for further information should be directed to the New York Liquidation Bureau, Creditor Claims Department at (212) 341-6809.

Dated: May 3, 2012
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Survey: Growth concerns

CONTINUED FROM PAGE 4

"slight competitive advantage" while only 4% said they would provide no competitive advantage.

When asked to cite the three most critical issues facing the industry, 57% of the respondents ranked natural catastrophes and weather events as No. 1. Low interest rates and capital market returns ranked second with 54%, while price competition and poor economic conditions tied for third at 46% each. In last year's survey, price competition held the No. 1 position, cited by 71%.

Respondents ranked the national debt and debt reduction as the top issue demanding congressional action. General tax reform ranked second.

Munich Re also asked the executives to predict how pricing for

commercial insurance would move over the next six months. Only 12% said that commercial property pricing would be flat, while 46% said it would increase between 1% and 4%. Another 36% predicted increases of 5% to 10%, while the remaining 5% said pricing would increase by more than 10%.

The respondents did not foresee commercial liability pricing rising so dramatically. In fact, 3% said pricing would drop by 1% to 4%, while nearly one-third—32%—said pricing would remain flat. Half said pricing would increase, but only slightly, by 1% to 4%, while 14% said pricing would increase by 5% to 10%. Only 1% predicted commercial liability pricing would jump by more than 10%.

Munich Re has been conducting its CEO Roundtable Survey annually since 2003.

Cat bonds: Big year on tap

CONTINUED FROM PAGE 3

are seen as a portfolio diversifying investment—are looking at a completely different set of pricing drivers than are reinsurers with portfolios full of global catastrophe risks.

"That's a good development and that's one that we've been counting on," he said, because they thought it would be a positive development in driving the market if cat bond pricing could be viewed independently.

Mr. Hum noted that the approximately \$12 billion in risk capital outstanding in the cat bond market represents "probably about 5% of total global property cat reinsurance." He said he

expects that percentage to continue growing.

"It's a trend that I would expect to continue," said Mr. McGhee. "The main thing is, in the last few years, there continue to be new issuers coming in."

Mr. Hum was reluctant to predict whether the cat bond market's strong first quarter might set the stage for a record year. "You never know who's going to cross the finish line," he said. "But going into the U.S. hurricane season, the numbers seem pretty strong. It will depend how many Europeans come in on the back end."

"The key is there's a lot of money out there looking for a home," Mr. Hum said.

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Reform: What if court voids PPACA?

CONTINUED FROM PAGE 1

adult children until age 19, or age 24 for full-time students.

Overturning that expanded adult-child coverage likely would result in the amount spent being considered as taxable income for employees.

Potentially, that could mean employers would have to send revised W-2 wage and income statements for 2011 to affected employees—a major and potentially difficult undertaking as some employees may have since left the company without providing a forwarding address.

Without regulatory or legislative relief, “That could be a real horror show,” said Helen Darling, president of the National Business Group on Health in Washington.

■ Limit to \$2,500 the maximum annual contribution employees can make to their health care flexible spending accounts. Currently, there is no limit, though employers typically impose a contribution cap of \$4,000 to \$5,000.

While the cap does not go into effect until Jan. 1, 2013, some employers with fiscal-year plans beginning July 1 already have instituted the lower cap to prevent employees from breaching the \$2,500 limit in 2013.

A Supreme Court ruling overturning PPACA could create an issue for employees who opted during their employers’ open enrollment period to contribute \$2,500 to their FSAs, but who would have contributed more were it not for the health care reform law limit.

While Internal Revenue Service rules allow employees to alter contribution elections after open enrollment has closed, such changes are allowed only if the employee’s status changes, such as marriage.

But the rules do not specifically address whether a Supreme Court decision is a bona fide change in status that would allow employees to amend their FSA contribution, said Chantel Sheaks, a principal with Buck Consultants L.L.C. in Washington.

These and other potential benefit and tax issues are being discussed with growing urgency by employers as a high court decision draws closer. “These are front-and-center issues for employers. There are ascending series of questions

that are very difficult to address,” said Andy Anderson, a partner with Morgan, Lewis & Bockius L.L.P. in Chicago.

“It’s a real hornets’ nest. Employers would need immediate guidance,” said Gretchen Young, senior vp-health policy with the ERISA Industry Committee in Washington.

What experts say is frustrating is there are no certain answers.

“We are really dealing in uncharted waters,” Ms. Sheaks said. While the Supreme Court has struck down laws before, none had been implemented to the extent that the health care reform

law has, she said.

If the Supreme Court were to strike down the law, regulators potentially could address retroactivity-related issues through rules and guidance.

But some experts question if regulators would have the legal right to resolve questions, such as whether early retiree reimbursements would have to be returned.

“Would agencies even have authority to issue guidance for a law that was struck down?” Ms. Sheaks asked.

Even if they did, “it could be months before regulators addressed the issues” and employ-

ers would need immediate guidance, Ms. Darling said.

Congress also could pass legislation, which some experts say is likely, to address technical, regulatory and tax issues.

As far as the taxation issue for employees whose adult children have had health coverage, “I can’t believe that is something Congress would not fix,” Ms. Darling said.

Others, though, were less optimistic about quick action.

“If anything were to get done, it might be after the November elections,” Aon Hewitt’s Mr. Piro said.

“A lame-duck session might be the first realistic chance” of Congress taking any action on corrective legislation, Mr. Ander-

son said.

“Tax reform is very likely to be a front-burner issue for 2013 and if Congress finds that they have to deal with any fallout from the court’s decision, such as employees being subject to tax on coverage provided to adult children, they will have an ideal vehicle to make any corrections,” said Paul Dennett, senior vp-health care reform with the American Benefits Council in Washington.

Even if Congress is slow to move, “Employers will not want to react too quickly, since some of these issues could ultimately get resolved in subsequent legislation,” said Michael Thompson, a principal with PricewaterhouseCoopers L.L.P. in New York.

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Contractors: Anti-bias rules grow

CONTINUED FROM PAGE 1

- More aggressive enforcement activities by the agency; and
- An effort to extend its authority to health care providers.

Jeffrey A. Norris, president of the Washington-based Equal Employment Advisory Council, which represents large employers, said his member companies are committed to complying with nondiscrimination requirements and have successfully worked with the OFCCP in the past.

What is different now, said Mr. Norris, is that instead of providing general guidance and standards that have a "fair amount of flexibility," the agency is attempting to impose prescriptive, mandatory requirements "that have been deemed to be unnecessary for 30 years."

Compliance unattainable

At an April 18 hearing before the House of Representatives Committee on Education and the Workforce, Dana C. Bottenfield, director of human resources information systems, employment and immigration at St. Jude Children's Research Hospital in Memphis, Tenn., said the OFCCP has set standards that "require that we have the perfect mix of gender and racial groups for every job category. It is

Self-audit before hiring rules go into effect

WASHINGTON—Federal contractors and subcontractors should prepare themselves for additional regulations from the Department of Labor's Office of Federal Contract Compliance Programs with respect to veterans and the disabled, observers say.

But they suggest waiting until the new regulations are actually imposed before taking any action.

Meanwhile, "stay tuned and be prepared" for the OFCCP "to take an even closer look at your affirmative action practices than has been the case in the past," said Chris Chrisbens, of counsel at law firm Holland & Hart L.L.P. in Denver.

"It is more important now than ever before to conduct

self-audits in order to be ready should you receive" a letter of a scheduled audit by the OFCCP, said Valerie Hoffman, a partner with Seyfarth Shaw L.L.P. in Los Angeles.

"I'd also recommend that the self-audits be conducted under attorney-client privilege since the OFCCP may seek to see the results of the self-audit," and unless the privilege is in place the agency may require the results be shared, Ms. Hoffman said.

Be alert for the final regulations, review them thoroughly when they are issued and have employees trained in the regulation, said Cara Yates Crotty, a partner with Constangy Brooks & Smith L.L.P. in Columbus, S.C.

Mickey Silberman, managing partner with Jackson Lewis L.L.P. in Denver, said employers should focus on their information technology and human resources systems "to determine their capabilities" as well as devising budget for the changes.

"But don't pull the trigger" until the final regulations are issued, he recommended.

The new processes will be "very expensive to institute and, until such time as they become mandatory, I wouldn't recommend" companies institute them, said Jeffrey A. Norris, president of the Washington-based Equal Employment Advisory Council, an employer group.

—By Judy Greenwald

'Compensation is not easily evaluated, and any summary-type report is going to lead to many false positives.'

Valerie Hoffman, Seyfarth Shaw L.L.P.

an impossible standard to meet...and every year, the burdens continue to increase as new regulatory requirements must be met."

Michael J. Eastman, executive director, labor law policy, at the U.S. Chamber of Commerce in Washington, said the OFCCP "needs to have a more even-handed approach to enforcement."

Molly Kurt, of counsel at law firm Husch Blackwell L.L.P. in Kansas City, Mo., said, "Audits seem to go on for a long time with extended periods of silence from the OFCCP, and then there's a sudden communication from them asking for a lot of information in a short period of time."

Alissa A. Horvitz, a shareholder with Littler Mendelson P.C. in Washington, said the OFCCP "has come down very hard on government contracts when the records they maintain don't fully and completely explain every minutia that occurs during the hiring process."

Under proposed regulation, which many expect to be imposed relatively unchanged, federal contractors and qualified subcontractors are required to set a goal of having 7% of their workforce be people with disabilities. A similar proposed regulation would require federal contractors to establish goals for hiring veterans, although there is not a fixed percentage.

Job bank alternative

Observers say that, among other provisions, the proposals call for employers to establish "linkage agreements" with OFCCP-specified veterans and disabled referral agencies to assist them in the hiring process, which they say will be highly inefficient. The EEAC has recommended creation of a national job bank instead.

With the additional administrative burdens it is calling for, the OFCCP is throwing off the balance between employer obligations and results, said Mickey Silberman, managing partner with Jackson Lewis L.L.P. in Denver. Final regulations have yet to be issued.

In addition to already requesting more information initially than previously had been required and making its audits much tougher, the agency is asking the Office of Management and Budget for approval to significantly increase the data that federal contractors must submit, say observers.

It also has been seeking more detailed compensation data and has asked for the OMB's permission to require a new compensation data collection report.

"Compensation is not easily evaluated, and any summary-type report is going to lead to many false positives," said Valerie Hoffman, a partner with Seyfarth Shaw L.L.P. in Los Angeles.

The OFCCP also has been much more aggressive in its enforcement activities, say observers. In March, for instance, it reached a \$3 million agreement with two FedEx Corp. units over hiring discrimination charges, although one of the units said that, despite its agreement to the settlement, "the DOL's settlement was not supported by the law."

Observers say the agency also is seeking to increase its authority. It has sought to establish authority over Florida Hospital in Orlando, Fla., on the basis of the hospital's role as a network provider for TRI-CARE, the health care program for uniformed service members, retirees and their families.

The move has been opposed by the Washington-based American Hospital Assn., among others. Health care providers are awaiting the DOL's Administrative Review Board's ruling, in which an administrative law judge's ruling in OFCCP's favor is being appealed, say observers.

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Overdose: Opioid deaths lead to claims for comp

CONTINUED FROM PAGE 1

for the Property Casualty Insurers Assn. of America in Des Plaines, Ill.

"With these cases coming to fruition, I think it's a disturbing trend," Ms. Nowak said. "The concern is we are going to see more decisions like this."

Recent rulings in Pennsylvania, Tennessee and Texas show that workers comp payers will be held responsible for harmful outcomes, such as addiction and death, due to prescription narcotics, Ms. Nowak said.

In one case, Texas' 13th District Court of Appeals endorsed a novel theory on drug side effects that increases workers comp payers' exposure, said Dana M. Gannon a partner and workers comp expert in the Houston office of Smith & Carr P.C.

Similar rulings have been made in Pennsylvania and Tennessee (see related story).

In the May 10 ruling in *Commerce & Industry Insurance Co. vs. Kimberly Ferguson-Stewart et al.*, the Texas appellate court ruled that workers comp benefits must be awarded in the death of Bruce Mason Stewart, even though a toxicology report showed his blood contained a lethal amount of hydrocodone that required ingesting about 20 pills.

Mr. Stewart's treating physician had prescribed consuming just one pill every eight hours, so the Texas Division of Workers' Compensation ruled his death resulted from failing to comply with his doctor's instructions—not the 2004 work injury that led his doctor to prescribe the hydrocodone.

But on appeal, a trial jury concluded that the claimant's demise resulted from his treatment and that his spouse is entitled to death benefits.

The appellate court affirmed, citing expert testimony that Mr. Stewart may have consumed more pills than intended because of a possible drug side effect—that the drug may have caused disorientation and memory loss that caused him to forget how many pills he had consumed.

The testimony "gives rise to more than a mere surmise or suspicion that a cause other than intentional failure to comply with doctor's instructions was a

proximate cause of Stewart's overdose," the Texas appellate court ruled.

However, a toxicology report showed that Mr. Stewart's blood also contained a muscle relaxant and marijuana.

"He overdosed not only on his own medication, but also took his wife's medication," said Ms. Gannon, who defended the insurer in the case, a unit of American International Group Inc. "I don't know what an insurance carrier or employer can really do (to defend against) people overusing medications now that the court of appeals has said that this death is compensable."

While some observers fault courts for broadening employer and insurer responsibility in such cases, others say appropriate medical care is the issue.

"I don't think the issue these court cases have focused on is really the main issue," said Dr. Gary Franklin, the medical director of Washington State's Department of Labor and Industries' who is known nationwide for his groundbreaking research into opioid-related worker deaths.

The main problem is whether "universal precautions" called for in medical guidelines are implemented to minimize the risk of bad outcomes when patients are prescribed opioids, which include screening patients for prior substance abuse problems, Dr. Franklin said.

Data shows that someone on opioids for about three months already is getting dependent and developing "severe tolerance" of the drugs, especially when escalating their dosage, Dr. Franklin said.

"That is the issue—not whether the doctor is giving them more and more or the patient is taking more and more," he said. "If (treatment was) initiated in that direction, it may be that the patient doesn't have a lot of control over it. So I wouldn't put too much (emphasis) on whether the drugs made someone confused and that is why they took more. I think that is a little off the mark."

The focus on pain medications is a symptom not the problem, said Jon L. Gelman, a workers comp expert and national spokesman on occupational safety and health in Wayne, N.J., for

State court rulings require workers comp payments

While some state appellate courts recently have held that workers compensation payers are accountable for worker deaths from prescription drug overdoses, cases with similar legal considerations reach back decades.

For instance, courts in several states have weighed whether deaths caused by workers consuming prescribed sleeping and pain pills were intentional suicides, said Thomas A. Robinson, an author and workers comp expert.

Arguments in such cases often have focused on whether workers' actions amounted to "a break in the chain of causation," Mr. Robinson said.

A similar issue arose in a November 2011 case heard by a Supreme Court of Tennessee Special Workers' Compensation Appeals Panel. The case of *Judy Kilburn vs. Granite State Insurance Co. et al.* involved Charles Kilburn, an employee who suffered neck and back injuries in a work-related auto accident.

He died of an accidental overdose of oxycodone prescribed for managing related pain. Before his death, he had sued his employer for comp benefits and, after his death, his widow sought to amend his complaint to receive death benefits.

But the employer argued the death was not compensable because it was not the "direct and natural result of a compensable injury."

A trial court agreed, finding that "a negligent overdose of prescription pain medications breaks the

chain of causation because it is an independent, intervening cause."

But the appellate panel ruled that insufficient evidence was presented for the trial court to deny the widow's request to amend the complaint.

A month later, the Commonwealth Court of Pennsylvania ruled in *J.D. Landscaping vs. Workers Compensation Appeal Board* that the daughter of a worker who died from an overdose of drugs prescribed for a work injury also is entitled to benefits.

The case involved James Heffernan, who injured his lower back in 2002 and was found unresponsive in 2007. A forensic pathologist's report stated he "died from drug intoxication due to an overdose of fentanyl prescribed for his work injury."

Utilization review showed that a doctor's treatment provided to the claimant—including prescriptions for docusate, fentanyl, oxycodone, Fentora, Lyrica and Sonata—was neither reasonable nor necessary.

While the employer argued that Mr. Heffernan's death stemmed from an accidental overdose of prescription pain medications that were neither reasonable nor necessary, the appellate court ruled that the utilization review determination addressed only reasonableness and necessity and was irrelevant in determining whether Mr. Heffernan's death was causally related to his work injury.

—By Roberto Cenicerros

Thomson Reuters Inc.

He faults the medical-delivery system and workers comp payers for making pain medications easily available rather than providing more extensive care, which may be more costly.

Once such cases become legally complicated and potentially costly, payers shift the blame, as happened in the Texas case, Mr. Gelman said.

"They tried to use an intervening, superseding event, which was noncompliance with the doctor's instructions," Mr. Gelman said. But courts have been rejecting such arguments because they "are so far from the intent of the crafters of workers compensation acts."

Officials could not be reached on whether an appeal of the ruling is planned.

inBrief

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U.S. property/casualty insurance companies to begin 2012 with positive net income, according to a report released this week by Moody's Investors Service Inc. It said that for the property/casualty companies it rates, net income for the quarter was "up substantially" by approximately 70% year over year.

N.Y. comp board seeks 11.5% rate increase

The New York Compensation Insurance Rating Board is seeking an 11.5% workers compensation rate increase, citing increased claims frequency, among other cost drivers. In a bulletin, the rating board said it submitted the 11.5% loss cost rate increase request to the New York State Department of Financial Services because of "continued adverse experience of the New York workers compensation carriers."

Vermont bans hydraulic fracturing

Vermont became the first state in the country to ban the controversial practice of hydraulic fracturing—widely known as fracking—when Gov. Peter Shumlin signed the ban into law last week. Hydraulic fracturing is a process that uses high-pressure water, sand and chemicals to free natural gas from subterranean shale deposits. The legislation states the ban, which takes effect immediately, should be repealed "when hydraulic fracturing can be conducted without risk of contamination to the groundwater of Vermont."

NFIP extension passes in House

The U.S. House of Representatives passed a measure that would extend the National Flood Insurance Program through June 30. The NFIP is slated to expire May 31. The Senate has yet to approve legislation that would extend the program beyond its current sunset. Insurers, risk managers and others support a long-term extension and reform of the program.



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WORKER FIRED AFTER TURNING IN FOUND REVOLVER

Classify this one under no good deed goes unpunished: A Detroit groundskeeper who turned into police a loaded gun he found was fired by his bosses for gun possession.

John Chevillott, a 23-year county employee who was two years shy of retirement, found a loaded snub-nosed revolver in the weeds on May 3 when he and his crew were mowing a lawn, according to news reports. Mr. Chevillott held onto the gun and waited for police to drive by so he could hand it over to them.

But he never saw an officer drive by, so Mr. Chevillott finished his work for the day, took the gun home and later that evening turned it over to his local police department. The police discovered the weapon had been stolen in 2005.

Mr. Chevillott said he was praised by the police for doing the right thing, but his bosses took quite a different view. He was fired by the Wayne County Department of Public Services for violating a policy that employees are not allowed to possess a



weapon on work property. His supervisor was suspended for 30 days.

Mr. Chevillott says he did not bring a weapon to work, but found it on the job. "There is no policy," he told MyFoxDetroit.com. "I've never seen a policy what to do if we find a gun out here. So, all I did was secure the situation to make sure nobody else got hurt or killed."

Commenting on the incident, blogger Jonathan Turley said, "What is astonishing is that I have been to Detroit and see public workers who appeared catatonic and unresponsive to verbal or physical stimuli. Yet, they have secure jobs. We have discussed how it seems that every Detroit city council member is either under investigation or facing criminal charges. They also have secure jobs until their convictions. This guy turns in a weapon before it could hurt someone and he is fired just short of retirement."

CONTRIBUTING: Roberto Cenicerros, Judy Greenwald, Matt Dunning

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AP PHOTO

An alleged co-founder of Facebook and former classmate of Mark Zuckerberg (pictured), has lost a lawsuit in which he claimed 'defamation by omission.'

People you may not know: Aaron Greenspan

An alleged Facebook founder has lost a lawsuit in which he complained he was deprived of his day in the sun.

Aaron Greenspan, a former Harvard classmate of Mark Zuckerberg, had filed suit in federal district court in Boston charging his name was changed when Ben Mezrich wrote about Facebook in his book "The Accidental Billionaires" and left out altogether when Columbia Pictures filmed the 2010 Oscar winner "The Social Network," according to an article in The Hollywood Reporter.

Mr. Greenspan had claimed "defamation by omission," charging that by leaving his name out of the film it was suggested that he was irrelevant to Facebook's origins.

The judge didn't buy his argument. In a ruling last week U.S. Magistrate Judge Robert Collins, of federal district court in Boston, said it is not reasonable

to infer Mr. Greenspan would be held up to scorn, hatred, ridicule or contempt.

"Essentially, Greenspan contends that the harm resulting from the omissions was that he was robbed of his proper recognition for his role in the origins of Facebook; that is not a claim of defamation," said Judge Collins.

In fact, although hardly a household name, Mr. Greenspan has not gone entirely unremarked upon. He was once profiled in The New York Times, and his autobiography, "Authoritas: One Student's Harvard Admissions and the Founding of the Facebook Era," is cited as a secondary source in Mr. Mezrich's book.

Mr. Greenspan reached a confidential settlement with Mr. Zuckerberg in 2009 after Mr. Zuckerberg attempted to trademark Facebook.



MAIL CARRIERS FIND NUDISTS TOO HOSTILE

Two letter carriers have filed a claim with the Equal Employment Opportunity Commission contending that having to deliver mail to a nudist colony creates a hostile work environment.

The postal workers complain they have been greeted up close by customers of the White Tail Resort in Ivor, Va. The 45-acre resort bills itself as a "family nudist community" established in 1984.

The resort offers a variety of activities including swimming, karaoke and paddleball games. Its services include providing cabins and campsites, arranging birthday-suit birthday parties and hosting conferences.

The two mail carriers say they respect the resort customers' right to go naked, but that it goes against their personal convictions to have to see White Tail customers frolicking in the buff. They reportedly claim the exposure is affecting their health and well-being.

"I've been married 38 years this year, and until I went into that park, I had never seen another man nude except for my husband," one of the carriers reportedly told a local newspaper.

Reports also say the postal workers have been allowed to stop entering the community by delivering to mailboxes outside a gate. But they complain the nudists have come out to greet them.

The resort's owner contends his customers never step outside the gate.



BREAD RISES, BAKERS SUE OVER EMPTY POCKETS

Two Chicago-area bakers are suing their co-workers over a huge amount of bread, but not the edible kind.

In a lawsuit filed Tuesday in Cook County, Ill., Circuit Court, Jose Franco and Marco Medina, employees at the Chicago Heights-based Pita Pan bakery, claim they were wrongly left out of the \$118 million Mega Millions jackpot the group won this month, according to a report.

According to the Chicago Tribune, the group used the \$9 million it won in a May 1 Mega Millions drawing to purchase even more tickets for another, larger drawing on May 4. Some of the employees contributed additional money to the purchase.

The group won again, netting \$118 million. However, the report says, Messrs. Franco and Medina claim they were excluded from the group because they hadn't contributed any additional money for the second drawing.

The suit alleges that the two men never were told about the second collection and argues that their contributions to the first lottery purchase helped make the second purchase possible, the Tribune said.

"Our clients got in on the rollover to buy the tickets," an attorney for the men told the Tribune. "Lo and behold, they pulled the winning ticket but afterward, our clients were told 'no.'"

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