

PLAYERS CALL PENALTY ON NFL DRUG USE

- More than 500 former National Football League players allege they suffer kidney failure, drug addiction and other health problems from medications the NFL gave them.
- The former players allege their conditions were caused by the "cocktailing" of medications including Ambien, Percocet, Toradol and Vicodin, provided by team trainers or doctors.

WORKERS COMPENSATION

NFL players hit league over drugs

Many claim permanent injury, addiction

BY SHEENA HARRISON

The National Football League could raise pre-emption and personal responsibility defenses to a lawsuit filed by at least 500 former players, who allege permanent injuries and addiction from routine use of painkillers and opioids, but the NFL also could try to settle the suit as it has in concussion-related litigation.

High-profile players — including Super Bowl XX champion Chicago Bears Richard Dent, Keith Van Horne and Jim McMahon — filed the suit last week in San Francisco federal court seeking compensatory and punitive damages for what they allege was decades of inappropriate prescribing of painkillers by NFL team doctors to keep them on the field.

The lawsuit seeks class action

See NFL page 28

CATASTROPHES

REINSURANCE RATES DROP ON FEWER CATS, MORE CAPACITY

Lower loss trend continues in 2014



AP PHOTO

Volunteers salvage items for victims of a deadly tornado in Vilonia, Arkansas, but insured losses have been modest in 2014.

BY MATTHEW LERNER

A relatively quiet catastrophe season so far this year and abundant capacity have industry experts foreseeing pricing drops of as much as 20% for the June 1 reinsurance renewals, which are primarily Florida wind exposures.

"It's been a modest start" to the 2014 catastrophe season, said Tom Larsen, senior vice president and product architect at Oakland, California-based Eqecat Inc., a catastrophe modeling unit of CoreLogic Inc.

Despite some headline events such as a series of winter storms and extreme cold at the start of the year that affected much of the U.S., a deadly multiday April tornado outbreak in the South and Southwest, and an unusual series of twisters that struck the Denver area last week, key metrics are off

See CATASTROPHES page 25

TORNADO, HAIL AND WIND EVENTS

U.S. tornado, hail and straight-line wind counts from Jan. 1-May 19



376 TORNADOES

[Long-term average of 669]



1,638 HAIL EVENTS

[Long-term average of 2,390]



2,212 STRAIGHT-LINE WIND EVENTS

[Long-term average of 2,943]

Source: Impact Forecasting

CAPTIVES

Coca-Cola captive ruling may set trend

Funding retiree benefits with VEBA gets IRS OK

BY JERRY GEISEL

An Internal Revenue Service ruling, triggered by The Coca-Cola Co.'s trailblazing plan to fund retiree health care benefits through a trust and its South Carolina-based captive insurer, opens the door for other employers that want to utilize the approach.

In its ruling earlier this month, the IRS said such an arrangement would constitute insurance and the captive would be considered an insurer. As a result, experts say, premiums paid by the parent to the captive and the reserves established by the captive would be tax-deductible.

While corporate interest in the approach is not widespread, it will appeal to some employers with large retiree health care obligations and the financial resources to fund the obligations, experts say.

"It will appeal only to those companies that have a significant potential financial gain by funding retiree medical," said Mitchell Cole, Stamford, Conn.-based managing director of Towers Watson & Co.'s retiree insurance solutions unit.

Several companies are examining the retiree benefit funding approach, consultants said.

Atlanta-based Coca-Cola, which describes itself as the world's

See COCA-COLA page 28



Q&A: MIKE SICARD

Head of USI Insurance Services L.L.C. discusses strategies for growth in 2014 and beyond

PAGE 24

BENEFITS MANAGEMENT

Hybrid pension plans a viable option that appeals to small, profitable employers

PAGE 8

RESEARCH & DATA

Ranking of the largest U.S. benefits broker specialists; listing of sources and costs

PAGE 20



ALTERNATIVE BENEFITS FUNDING, CAPTIVES

Stop-loss cover caps health care catastrophe risks; using VEBAs to manage costs for retiree health; cell-captive solution for health care risks.

PAGE 14

WE CAN TAILOR THAT
COVERAGE FOR YOU.

Yes.



Berkshire Hathaway
Specialty Insurance

5/26/14

CONTENTS

FEATURES

MID-MARKET



Blended ergonomics approach

Online programs can be an effective way to provide ergonomics training, but such programs should be combined with in-person training **6**

PERSPECTIVES

Head in the global cloud



Cloud-based data storage and an international economy have combined to make global data breaches a

genuine risk, says Michael Bruemmer of Experian Data Breach Resolution **21**

OFF BEAT



Journey no fly-by-night affair

Amelia Rose Earhart will depart for an around-the-world solo flight that retraces the path of her namesake's ill-fated final attempt in 1937 **30**

SECTIONS

INTERNATIONAL **10**

OPINIONS **12**

PEOPLE **24**

MARKET PULSE **22**

PERSPECTIVES **21**

OFF BEAT **30**

NEWS

CYBER RISK

CYBER ATTACKS VIEWED AS THREAT TO U.S. PROSPERITY

NIST framework provides basis for risk management

BY JUDY GREENWALD

WASHINGTON — The chairman of the U.S. House Intelligence Committee said it is “shocking” how long it has taken the United States to recognize the threat to the nation’s economic prosperity presented by Chinese hackers.

Rep. Mike Rogers, R-Mich., a keynote speaker at *Business Insurance’s* inaugural Cyber Risk Summit last week, said hackers work for the Chinese government to steal U.S. businesses’ intellectual property as part of their day job, then accept cash from Chinese companies to hack into U.S. businesses during their free time.

“We need to be incredibly aggressive about sending messages to the hackers that we’re coming to get you, that we’re not going to play this game anymore,” Rep. Rogers said.

The situation with the Chinese “is so bad and so breathtaking. It is shocking it has taken us so long” to perceive the real threat this represents “to economic prosperity in the United States,” said Rep. Rogers.

Citing last week’s U.S. indictment of five Chinese military officials for alleged cyber spying, Rep. Rogers advised, “Put your helmets on; it’s going to be a bumpy ride.”

Cyber risks also abound inside



JENNIFER BISHOP

MORE CYBER SUMMIT COVERAGE INSIDE

Cyber risk management must move out of the IT department and into the boardroom **PAGE 26**

Rep. Mike Rogers, R-Mich., a keynote speaker at *Business Insurance’s* inaugural Cyber Risk Summit

Department of Commerce, said the framework is a starting point, “especially for organizations that are less mature in terms of their awareness and ability to manage risk,” to develop best practices.

“It’s not a silver bullet,” Mr. Grotto said.

Tom Finan, senior cyber security strategist and counsel in the U.S. Department of Homeland Security, said companies with cyber insurance that follow best

See **SUMMIT** page 26

INTERNATIONAL

Rule changes in China open market further

BY SARAH VEYSEY

Changes by China’s insurance regulator to shore up the country’s insurance sector that go into effect next month should make it easier for overseas insurers to enter or expand their foothold in the market.

Under rules the China Insurance Regulatory Commission announced in April, insurers — including those based outside of China — can acquire Chinese peers operating in the same business segment as the acquirer. They replace rules that restricted foreign insurers from buying a stake in more than one Chinese company operating in the same business area.

The revised rules “represent a significant opportunity for both domestic and foreign insurers that wish to build and expand their business in China,” London-based law firm Debevoise & Plimpton L.L.P. said in a briefing note.

“Foreign insurers will have a shortcut route to



expand distribution networks,” said Maurice Williams, London-based managing director of the Asia-Pacific, Middle East, Turkey and North Africa

See **CHINA** page 26

RISK MANAGEMENT

Organizations assess velocity of risks

Approach adds details to ERM process

BY MATT DUNNING

The emerging concept of “risk velocity” is likely to be unfamiliar to most risk managers, but experts say its underlying principle — measuring how fast a risk may affect an organization — may be more pervasive in companies’ risk management strategies.

As a quantitative metric, risk velocity is applied predominantly to risk assessment and mapping models within large firms’ enterprise risk management programs.

Though a standard industry standard definition of risk velocity has not yet emerged for the term that began appearing in risk management consulting literature and research reports around 2007, it generally is defined as the speed with which a risk manifests itself, first as an occurrence and then as an impact (see box, page 25).

According to the Arlington, Virginia-based Corporate Executive Board’s most recent “State of Enterprise Risk Management” survey, nearly half of 90 global companies have added velocity metrics to their risk assessment models.

“It’s only been in the last two or three years that we’ve begun to see it actually being used by companies in their internal risk quantification practices,” said Rich Michel, Atlanta-based senior vice president and risk management national practice leader at Wells Fargo Insurance Services Inc.

Outside the multinational level, experts say the vast majority of companies still measure and prioritize risk according to a two-dimensional analysis of the likelihood of an occurrence and the probable effect on their business.

However, many companies’ risk management strategies are more than likely informed by a conceptual — often intuitive — understanding of the degree to which the velocity of risk can affect their business.

“It’s probably been a fundamental part of risk management for some time, but without being singled out as its own discrete area of risk management,” said John Dempsey, New York-based managing director of claims preparation, advocacy

See **VELOCITY** page 25

ONLINE
FEATURES

40 UNDER 40

Nominations still open

BUSINESS 2014 INSURANCE Nominations for the 40 Under 40 Broker Awards are open for all regions until June 15. www.BusinessInsurance.com/40under40nominate

VIDEO: IN FOCUS



In Focus: Air Methods

RIMS scholarship students tour the Colorado facility of medical air transport firm Air Methods Corp. www.BusinessInsurance.com/InFocus

VIDEO: BROKER BEAT

Seacrest Partners Inc.

Seacrest Partners Inc.'s David Paddison discusses issues affecting insurance brokers in the Southeast. www.BusinessInsurance.com/BrokerBeat

BEST PLACES 2014

Deadline approaching

BUSINESS 2014 INSURANCE Nominate your company to be named among *Business Insurance's* Best Places to Work in Insurance. The deadline for nominations for this annual honor is June 6. www.BusinessInsurance.com/2014BestPlaces

BUSINESS INSURANCE (ISSN 0007-6864) Vol. 48, No. 11, is published biweekly by Crain Communications Inc., 150 N. Michigan Ave., Chicago, IL 60601-7620. Periodicals postage is paid at Chicago and at additional mailing offices.

POSTMASTER: Email address change to customerservice@businessinsurance.com or mail to Business Insurance Circulation Department, 1155 Gratiot Ave. Detroit, MI 48207-2912. \$10 a copy and \$149 a year in the U.S. \$169 in Canada and Mexico (includes GST). All other countries, \$249 a year (includes expedited air delivery). Canadian Post International Publications Mail Product (Canadian Distribution) Sales Agreement No. 40012850. GST No. 136760444. Canadian return address: 4960-2 Walker Road, Windsor, ON N9A6J3. Printed in USA. Copyright © 2014 by Crain Communications Inc.

NEWS

LIABILITY & LITIGATION

SENATE BILL AIMS TO FIGHT FRAUDULENT ASBESTOS CLAIMS

Despite insurance industry support, opposition strong

BY MARK A. HOFMANN

Insurance groups are welcoming the introduction of Senate legislation designed to require more transparency in asbestos bankruptcy trust funds.

The Furthering Asbestos Claim Transparency Act of 2014 — S. 2319 — would “ensure that asbestos bankruptcy settlement trusts are able to fully compensate future claimants by preventing fraud through increased transparency,” according to a statement by its sponsor, Sen. Jeff Flake, R-Ariz.

“Congress must act now to increase transparency and combat fraud within the asbestos-settlement system if future victims of asbestos-related injuries are to be protected,” Sen. Flake said in the statement when he introduced the bill earlier this month.

The measure would require asbestos bankruptcy settlement trusts to disclose the names and exposure history of those who have filed a claim with the trust. The bill prohibits the disclosure of confidential medical records and full Social Security numbers of claimants so their privacy rights are not violated.

A companion measure won approval in the House of Representatives in November.

The idea, however, faces power-



The Furthering Asbestos Claim Transparency Act of 2014 would require asbestos bankruptcy settlement trusts to disclose the names and exposure history of people who have filed a claim with the trust.

ful opposition from the nation's largest plaintiffs' attorneys group and the Obama administration. Although the White House has not directly addressed the Senate bill,

it issued a statement of administration policy opposing the House bill in November, holding that “the

See **ASBESTOS** page 27

BENEFITS MANAGEMENT

Reform law drives interest in wellness

BY STEPHANIE GOLDBERG

DALLAS — To combat rising health care costs and prepare for the 2018 health care reform law excise tax, many employers are changing their health plans and either implementing or experimenting with wellness programs.

The 40% excise tax on high-cost employer-sponsored coverage scheduled to go into effect in 2018 has consistently been the No. 1 concern of employers since the Patient Protection and Affordable Care Act became law in 2010, said Tracy Watts, a Washington-based senior partner and health care reform leader at Mercer L.L.C.



To avoid the “Cadillac” tax, employers must keep total health insurance costs below \$10,200 for single coverage and \$27,500 for family coverage under the PPACA

four years from now, with some exceptions, including workers in high-risk professions and retirees who are not eligible for Medicare.

Some employers will attempt to keep costs under the limit by leveraging voluntary benefits, offering high-deductible health plans and limiting eligibility for coverage, Ms. Watts said.

United Parcel Service Inc. is one employer that has already limited its health benefits to unemployed spouses and spouses who cannot obtain coverage through their own employer, she said.

This year, 8% of employers had a

See **COSTS** page 27

BUSINESS 2014 INSURANCE®



NOMINATIONS OPEN FOR WOMEN TO WATCH

Business Insurance has opened nominations for its 2014 Women to Watch program, which identifies the 25 most influential and inspiring women in commercial insurance, reinsurance, risk management, employee benefits, and related fields such as law and consulting.

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

This year marks the ninth year of *Business Insurance's* Women to Watch program. Since its inception in 2006, 280 women have joined this elite group, which has served as a professional springboard for many.

This year's nominees will be profiled in the Dec. 8 issue of *Business Insurance* and recognized at the 2014 Women to Watch Leadership Workshop and Awards Luncheon, to be held Dec. 9 in New York.

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

Readers are encouraged to nominate candidates for Women to Watch at www.businessinsurance.com/womentowatch.

Submit completed forms, along with a photo of each nominee, via email to Joanne Wojcik, senior editor, at jwojcik@businessinsurance.com. Past honorees are not eligible for this once-in-a-lifetime achievement award. The deadline for submitting nominations is midnight July 11.

For information on attending the event, contact Martha Donato, director of events and brand marketing, at mdonato@businessinsurance.com.

For sponsorship opportunities, contact Mary Pemberton, who is director of conference sales, at mpemberton@businessinsurance.com.

You trust your employees.

But privacy mistakes, security breaches and inappropriate employee behavior can burn your business, your bottom line and your brand.

And the cost of these problems can far outweigh the financial expense.

Let's hope the midnight oil is all he's burning.

At Philadelphia Insurance Companies, speciality risk is our niche. We offer management and professional liability coverage designed to alleviate your clients' worry. So they can get down to business.

Learn more. Call 855.411.0797 or visit PHLY.com/MPL.



PHILADELPHIA
INSURANCE COMPANIES

A Member of the Tokio Marine Group

A.M. Best A++ Rating

Ward's Top 50 2001-2013

97.5% Claims Satisfaction

100+ Niche Industries

ONLINE TRAINING BACKS ERGONOMIC PROGRAMS

In-person coaching focuses on specific employee, job site

BY SHEENA HARRISON

Online programs can be a cost-effective way to provide safety and ergonomics training to employees at multiple locations or working a variety of shifts, but employers should be prepared to combine such programs with in-person training.

"I think it can be great to supplement what's going on, but don't expect (online training) to be an answer in and of itself," said Rani Lueder, Austin, Texas-based principal at Humanics Ergonomics Inc.

"I've always seen a blended approach be the best option," said Dan McNeill, manager of education development for the American Society of Safety Engineers in Des Plaines, Illinois.

Experts in safety and ergonomics training (see box) say online tools can help reach out to employees at various job sites, home-based workers and traveling employees. Such tools can be beneficial for mid-market employers as well as large and small employers, experts say.

There are several online safety training courses offered for a fee or for free, both of which offer advantages to employers. While paid programs can be customized to an individual employer's needs, free programs are readily accessible for employers trying to limit their costs.

"If you have an instructed course, depending on what the (teacher's) mood is like, you might get a different version of the course each time," Mr. McNeill said. "But with online, it's always consistent. That's always a big plus."

The Washington State Department of Labor

and Industries, the state's monopoly workers comp insurer, provides nearly 100 online safety training courses through its website at no charge.

Bruce Zeller, senior manager of education and outreach for the department's Division of Occupational Safety and Health, said the courses are part of safety outreach that the department does for businesses throughout the state.

"No employer wants to have workers injured on the job for a number of reasons, and having this training helps over the long haul," Mr. Zeller said. "It keeps their workers comp costs lower and it keeps their employees healthier."

The most popular courses through the Washington agency have been a module on ergonomics, which had more than 14,000 page views in the past 12 months, and a course on bloodborne pathogens, which had 6,400 page views in the past year, Mr. Zeller said.

"People who need it can access it at a time when it's convenient for them," Mr. Zeller said. "A lot of businesses have peak times during the day, and it's just not convenient to attend a classroom training."

Travelers Cos. Inc. offers a program that provides safety and ergonomics training online to any Travelers customer.

Nim Traeger, St. Paul, Minnesota-based vice president of casualty services risk control, said Risk Control On-Demand has been used by hundreds of employers so far since the insurer launched the program a year ago.

The interface allows Travelers to provide customized consultations on a variety of topics based on specific client needs, Ms. Traeger said.



ERGONOMIC INJURIES

Ergonomic injuries are workplace-related musculoskeletal disorders caused by factors such as overexertion or repetitive motion, according to the U.S. Bureau of Labor Statistics.

Ergonomic injuries include pinched nerves, herniated discs, meniscus tears, carpal tunnel syndrome and other conditions.

POSITIVE SUPPORT AS IMPORTANT AS ERGONOMIC EQUIPMENT

Employer support and a positive environment for ergonomic changes are just as important as supplying furniture and equipment that can prevent injuries, said Rani Lueder, Austin, Texas-based principal at Humanics Ergonomics Inc.

Workplaces that have a punitive atmosphere toward injured workers, or where supervisors tie an injured worker's condition to the evaluation of his or her job performance, often result in employees being afraid to ask for safety improvements, Ms.

Lueder said of companies she's assisted.

Companies that want to improve workplace ergonomics should show employees that "the company is on their side and wants them to be well," she said.

To improve safety conditions, employers can implement ideas such as an "ergo room," in which workers can borrow and test ergonomically-friendly equipment and order it if the worker feels it alleviates strain.

Ms. Lueder said giving employees the ability to try different chairs, desks or other

equipment is helpful, since an ergonomic fit varies from employee to employee.

It can also be helpful to have an ergonomist visit the workplace to suggest small but effective safety improvements, she said.

"If you have an ergonomist come in and spend even just 15 minutes at each employee station — moving chairs around, moving the (computer) monitor position — it can help a huge amount," Ms. Lueder said.

By Sheena Harrison

ERGONOMIC-RELATED INJURIES

Occupations with the highest number of ergonomic-related injuries in 2012



Source: U.S. Bureau of Labor Statistics

QBE Specialized

Replace potential liabilities with a sense of security with QBE—a company whose experience and expertise allow us to say yes to highly unique insurance needs.

- Management & Professional Liability
- Accident & Health
- Aviation
- Trade Credit

Across all areas, our experienced Specialty Lines team provides superior claims handling and has the ability to underwrite multiple coverages and tailor comprehensive solutions to your risks. So be specialized—and we'll be here to make things possible.

For information visit QBESpecialized.com

 @QBENorthAmerica

Made possible by



HYBRID PLANS GAIN GROUND AS EMPLOYERS RETHINK PENSIONS

Alternative structure appeals to smaller, consistently profitable firms

BY MATT DUNNING

Hybrid pension plans remain a viable option for employers seeking to reduce their exposure to retirement cost increases, even though their popularity among certain segments has waned in recent years.

Predominantly, hybrid pension plans are offered to replace traditional defined benefit plans that have been frozen or closed. While upward of a dozen variations of hybrid pension plans have emerged during the past 15 years, experts say the most popular hybrid models remain cash balance plans and, to a lesser extent, pension equity plans (see related story).

Employers offering hybrid pension plans do so primarily to shrink their exposure to the longer-tail risks associated with traditional pensions while still providing employees a guaranteed retirement benefit, experts say.

“A lot of the employers looking to move away from traditional defined benefit plans wanted something that could help them manage the risk a little better than those older plans, but they didn’t want to fully replace that plan with a defined contribution strategy on its own,” said Alan Glickstein, a senior retirement consultant at New York-based Towers Watson & Co. “If, as an employer, you’re not comfortable with the idea of your employees bearing all of the financial risk of retirement, hybrid plans offer a way to share some of that risk.”

Because the formulas by which employees’ retirement benefits accrue in hybrid pension plans tend to be simpler and more transparent compared with accrual formulas in traditional pensions, experts say hybrid pensions are typically less burdensome for benefit administrators.

Depending on its specific structure, a hybrid pension plan “sort of runs by itself,” said Ken Frandsen, chief financial officer of Tri-City Cardiology Consultants P.C. in Mesa, Arizona.

PBGC-INSURED DEFINED BENEFIT PLANS

YEAR	TOTAL	HYBRID PLANS	% HYBRID
2010	26,377	3,674	13.9%
2009	27,797	3,357	12.1%
2008	28,876	3,396	11.8%
2007	29,255	2,439	8.3%
2006	28,923	2,116	7.3%
2005	29,605	1,944	6.6%
2004	30,148	1,756	5.8%
2003	30,611	1,541	5.0%
2002	31,229	1,308	4.2%
2001	32,954	1,227	3.7%

Source: Pension Benefit Guaranty Corp.

In addition to a 401(k) plan already in place, he said Tri-City Cardiology began offering a cash balance pension at the suggestion of some of its 170 staff and member physicians in 2009.

“From an administrative perspective, we make our contributions to the plan and collect the employees’ contributions; and then every six months we check on the performance of the investments and make sure that we’re maintaining our proper funding level,” Mr. Frandsen said. “It’s really not that difficult at all.”

The number of employer-sponsored hybrid pension plans insured by the federal Pension Benefit Guaranty Corp. nearly tripled between 2001 and 2010, even as the total number defined benefit plans decreased roughly 20% over the same period (see table, above).

By the end of 2013, hybrid plans comprised an estimated 24% to 32% of all defined benefit plans, including as much as 21% of defined benefit plans that remained open to new hires, according to several employer surveys and market analyses.

The vast majority of that growth in hybrid pension plan offerings has occurred among

employers with fewer than 1,000 participants, experts say.

Meanwhile, larger U.S. firms’ interest in cash balance and other hybrid pension plan models has faded during recent years (see chart, below).

“Industries that are more consistent in their profit performance year-over-year are generally the ones driving the growth in cash balance plans,” said Dan Kravitz, principal at Los Angeles-based retirement consultant Kravitz Inc. “It’s primarily popular with professional services companies such as law firms and medical groups, particularly with specialty medical groups. It’s also extremely popular with smaller companies and that, too, is where we’re seeing the most growth.”

Ultimately, experts say the deciding factor in an employer’s evaluation of hybrid models as an alternative retirement funding arrangement likely comes down to the company’s risk appetite.

“Because there is still some risk in there, there are some employers that are going to determine that they can’t withstand the risk of short-term (investment) volatility, even if they understand that over the long haul the hybrid approach winds up being more efficient than even some (defined contribution) plans,” said Stewart Lawrence, New York-based senior vice president and national retirement practice leader at The Segal Group.

In addition, experts say some employers may be deterred by the substantial regulatory uncertainty that continues to loom over certain key elements of hybrid plan designs.

“Nine years later (after the enactment of the 2006 Pension Protection Act) employers still don’t know what fixed-interest crediting rates they can use,” Mr. Glickstein said. “That may well be an impediment to a lot of employers, especially if they’re at all risk-averse when it comes to compliance.”



HYBRID PLANS COMBINE DB, DC ELEMENTS

Hybrid pension plans are employer-sponsored retirement plans that combine elements of traditional pension plans and defined contribution arrangements.

While hybrid pension structures generally are classified as defined benefit plans under federal law, they are distinct from the traditional defined benefit model in the way employees’ retirement benefits are accrued and paid.

Traditional pensions define the benefit as a percentage of an employee’s final salary at retirement as determined by their years of service with the employer, and a specified amount is paid monthly after retirement. Conversely, in most hybrid models, the promised benefits accrue value annually over the length of a worker’s participation in the plan and typically are paid as a lump sum.

By a wide margin, cash balance plans are the most popular form of hybrid pensions. From an employee perspective, cash balance plans may resemble traditional defined contribution plans, in that an employer agrees to contribute a certain percentage of an employee’s salary annually, which can be tiered according to age, job classification or pay rate.

But unlike defined contribution plans, employees’ retirement balances in a hybrid pension plan cannot decline in value. Instead, employer and employee contributions are deposited in a notional account for each employee, with interest earned at a fixed rate set by the employer, a variable rate tied to the 30-year Treasury bond rate or other index, or a market rate tied to the overall plan’s investment performance.

Although pension equity plans account for a much smaller portion of total volume of hybrid pension plans, about 4% of private industry employees in the U.S. still were accruing benefits through pension equities in 2012, the most recent year data was available from the U.S. Bureau of Labor Statistics.

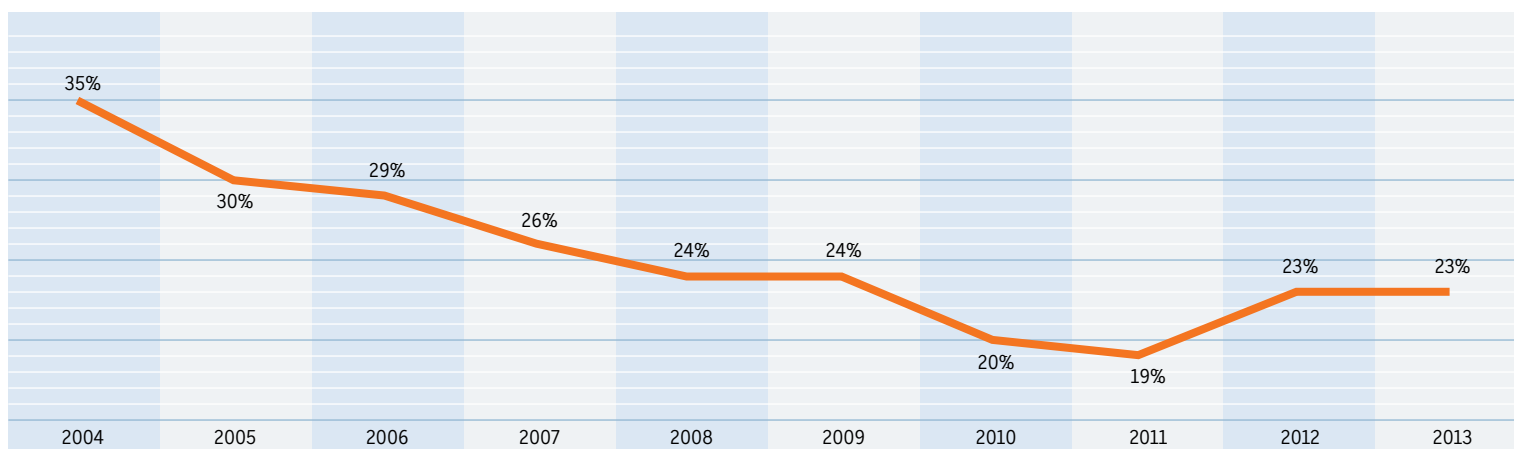
In a pension equity plan, employees are credited for each year of enrollment. When they reach retirement, the credits are multiplied by the employee’s final average salary, and the resulting amount is paid in a lump sum.

In both models, employers still assume the bulk of the financial risk associated with the plan.

By Matt Dunning

HYBRID OFFERINGS

Percent of Fortune 100 employers that sponsor hybrid pension plans



Source: Towers Watson & Co.

BUSINESS INSURANCE

ANNOUNCES ITS 40 UNDER 40

BROKER LEADERS AWARD PROGRAM FOR 2014!

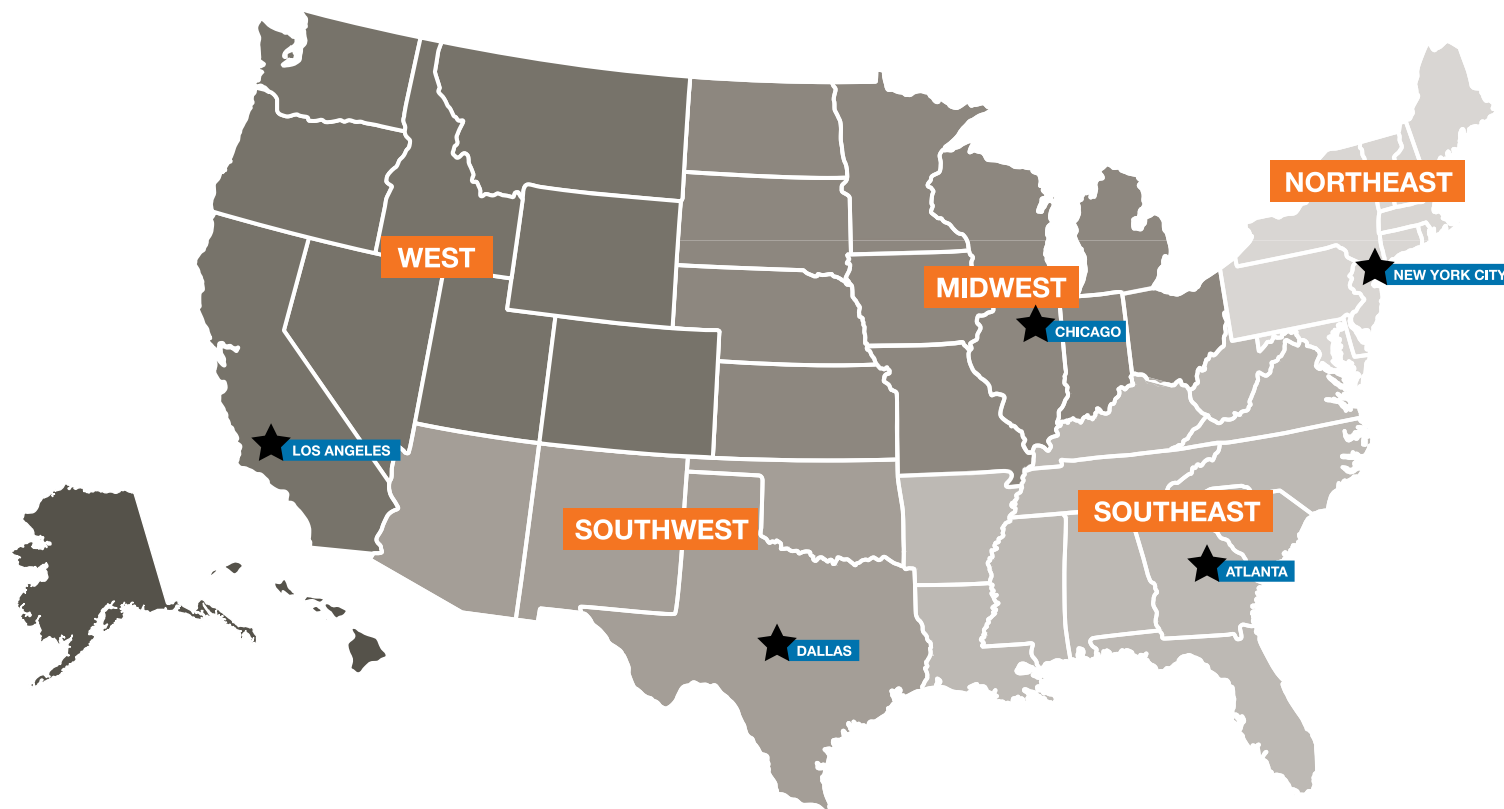
2014 BUSINESS INSURANCE®

40^{UNDER}40 BROKER AWARDS

▶▶ Do you want to recognize an outstanding Broker? ◀◀

Nominations for this important event are now open, and will be accepted from five regions of the U.S.:

Northeast ▪ Midwest ▪ West ▪ Southwest ▪ Southeast



For more information about how you can nominate a broker as a 40 Under 40 Regional Broker Leader, please contact Gavin Souter, Editor, at gsouter@BusinessInsurance.com.

For additional details about the regional events and how you can participate, please contact Martha Donato, Director of Events and Brand Marketing, at mdonato@BusinessInsurance.com.

Visit www.BusinessInsurance.com/40under40
To Obtain Your 40 Under 40 Nomination Form Today!

After a thorough review by a panel of senior editors at Business Insurance, who will consider various criteria, including recent professional achievements, influence on the marketplace and contributions to their community, eight (8) Brokers will be identified in each region, and the results will be announced on-line prior to the event date for each region - and a compilation of all 40 of the award winners will be in the Oct. 13, 2014 issue of Business Insurance. Honorees are selected from nominations submitted by readers of Business Insurance, and they must be age 40 or under at the time of their nomination. A series of regional receptions will be held in celebration of the achievements of the broker leaders.



PRESENTED BY:
BUSINESS INSURANCE



South Korea president to break up coast guard

■ South Korean President Park Geun-hye said she would break up the nation's coast guard, transferring its rescue duties to a national emergency safety agency — still to be set up — and its investigative function to the national police, because it had failed in its rescue mission during last month's ferry disaster. At least 286 people were killed in the disaster, and 18 remain missing; only 172 people were rescued, with the rest presumed to have drowned. Of the passengers, 339 were children and their teachers on a field trip from a high school on the outskirts of Seoul. Ms. Park vowed sweeping reforms to improve oversight, as well as tough punishment for bureaucrats and businesses whose negligence endangers public safety. She singled out structural problems within the coast guard as the main reason why there was such a high casualty toll from an accident that played out on national television as the vessel gradually sank with most of the passengers trapped inside.

Reuters

Lloyd's appoints chief risk officer

■ Lloyd's of London has appointed a chief risk officer, naming Sean McGovern, who has been a director and general counsel for Lloyd's since 2002, to take on overall responsibility for risk management at Lloyd's. He also has been appointed to the franchise board, the body responsible for the day-to-day management of the market, Lloyd's said in a statement. Others appointed to the franchise board are Fred Hu, an economist and investor who currently is chairman of Beijing-based investment firm Primavera Capital Group; and Joy Griffiths, currently global managing director of the decision analytics arm of London-based information company Experian P.L.C., and chair of Experian's Asia Pacific region.

Simon Gaffney named COO of Willis Global

■ Simon Gaffney has been named chief operating officer of Willis Group Holdings P.L.C.'s Willis Global operation. Mr. Gaffney, who is based in London, previously served as director of corporate development. He succeeds Paul Owens, who was named CEO of Willis' global captive practice late last year. Anne Pullum will suc-

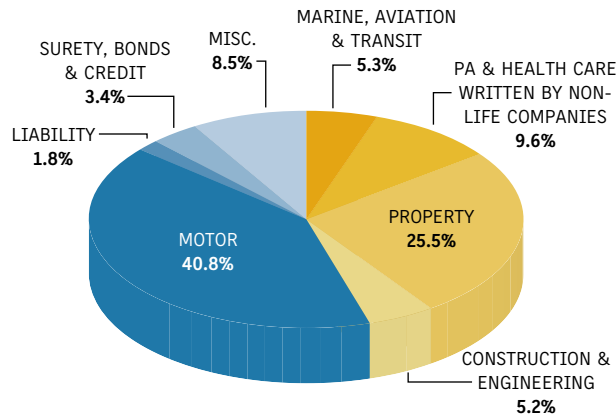
PROFILE: ZIMBABWE

\$175.3
MILLION

The Zimbabwean property/casualty insurance market has not seen many new foreign entrants since a 2007 law requiring that black Zimbabweans hold a 51% stake in all foreign-owned businesses. The nonlife insurance market is small, ranking No. 111 worldwide. Still, the number of insurers in the market is perceived as too many. Stiffer minimum capital requirements are in the works and expected to force consolidation of insurers. Microinsurance is seen as a growth option for the industry.

◀ 2012 P/C gross premiums

MARKET SHARE



Source: Axco Global Statistics/Industry Associations and Regulatory Bodies

COMPULSORY INSURANCE

- Workers compensation
- Third-party auto for bodily injury, property damage
- Professional indemnity for insurance brokers
- Professional indemnity for pension fund administrators
- Cargo vessels

NONADMITTED

Nonadmitted placement of insurance is not permitted in Zimbabwe. The national law requires that insurance must be purchased from locally authorized insurers. Other than getting permission from the insurance regulator for a particular placement, there are no exceptions to the law. The pertinent statute does not address excess layers of insurance or reinsurance above a primary local policy.

INTERMEDIARIES

Insurance agents and brokers must be registered by the state to do business in Zimbabwe. Intermediaries are not allowed to place business with nonadmitted insurers, except with regulatory approval. Brokers handling any nonadmitted placements do not have to warn buyers that their insurer is not subject to local supervision.

MARKET PRACTICE

Although direct selling of insurance from overseas is forbidden, the insurance commissioner is known to be sympathetic regarding coverage for industries deemed to be strategic, such as the mining sector. If foreign coverage placement is approved, a local insurer must front the business.

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



AREA
150,873 square miles

POPULATION
13.0 million

PRESIDENT
Robert Mugabe

2014 GDP CHANGE (PROJECTED)
3.6%

ceed Mr. Gaffney. Also based in London, she joined Willis from McKinsey & Co., where she served as an engagement manager serving financial services and natural resources clients.

Credit Suisse fined \$2.5B in U.S. tax evasion case

■ Credit Suisse Group A.G. has agreed to pay a \$2.5 billion fine to authorities in the United States for helping Americans evade taxes after becoming the largest bank in 20 years to plead guilty to a U.S. criminal charge. The bank's guilty plea resolves its long-running dispute with the United States over tax evasion but could have implications for the clients and counterparties that do business with the group. Switzerland's second-largest bank escaped what could have been the worst outcome for

its business — its top management stayed in place and it will not have to hand over client data, protected by Swiss secrecy laws. And the New York state bank regulator decided not to revoke the bank's license in the state. Credit Suisse will pay the penalties to the U.S. Department of Justice, the Internal Revenue Service, the Federal Reserve and New York's banking regulator, the New York State Department of Financial Services. It had already paid just under \$200 million to the U.S. Securities and Exchange Commission.

Reuters

Bank of England chief holding execs accountable

■ The Bank of England's governor has warned insurers they are under scrutiny by supervisors, and he will hold top executives

accountable in the same way that he has cracked down on Britain's bankers.

In a comment piece published in The Times newspaper, Mark Carney said "integrity, honesty and skill" in senior managers are not optional, whether they are in charge of insurers, investment banks or building societies. Mr. Carney said the Bank of England wants senior managers of insurance companies to be held accountable if things go wrong and policyholders lose out. "So alongside reforms that Parliament has asked us to make to hold senior bankers to account, we will create a similar regime for senior managers in the insurance industry," he said. Mr. Carney did not detail what sanctions insurance executives could face, though new laws mean bankers found guilty of "reckless misconduct" could face jail.

Reuters

MARKET DEVELOPMENTS

UPDATED MAY 2014

- In March, a fresh insurance regulation bill was placed in the hands of the Ministry of Finance for review and possible approval. Meanwhile, the Insurance and Pensions Commission is encouraging insurers to adopt Solvency II standards for calculating capital adequacy in preparation for when the insurance bill is adopted.
- In March, a microinsurance bill was drafted by the Insurance and Pensions Commission, but it has not been enacted.
- In October 2013, the Zimbabwe Association of Reinsurance Offices decided its members should have a minimum capital requirement of \$2 million.
- In October 2013, the Insurance and Pensions Commission introduced investment guidelines and limitations for nonlife insurers. The rules were phased in with full compliance required as of April 1, 2014.
- In October 2013, a number of Workers Compensation Insurance Fund reforms were introduced.
- In August 2013, the minimum capital requirement for insurers and reinsurers was set at \$400,000. Compliance with half that amount went into effect in June 2013 while the full capital requirement goes into effect June 30, 2014.

Spass, co-founder and managing partner of Capital Z, will join BMS' board.

Middle East, Africa lead rising global health costs

■ Led by double-digit increases in the Middle East and Africa, global health care costs are expected to increase in 2014, concludes a survey. Medical trends, which are projections of increases in the cost of health services, will rise 8.3% globally in 2014, up from 7.9% in 2013, according to a Towers Watson & Co. survey of 173 insurers in 58 countries. The steepest projected increase is in the Middle East and Africa, where costs are projected to rise 10% in 2014, up from 9.8% in 2013. The Asia-Pacific region has a projected cost increase of 9.3% in 2014, compared with 8.8% in 2013. "Medical trend remains high in many Asia-Pacific markets due to factors such as aging demographic — in markets such as Hong Kong, Singapore and South Korea — the rise of noncommunicable diseases and continued cost shifting from public to private systems," according to the survey.

Global reinsurer outlook negative: Fitch Ratings

■ Improved reinsurance underwriting results helped global non-life reinsurers' financial results in 2013, but the sector outlook remains negative on deteriorating fundamentals, Fitch Ratings Inc. said. The group of 24 nonlife reinsurers followed by Chicago-based Fitch in its "Global Reinsurance Results Dashboard" report had "solid underwriting profits" as a result of "manageable catastrophe-related losses and sustained favorable loss reserve development," Fitch said in its report. Swiss Re Ltd. had the largest 2013 percentage increase in net premiums written at 30.2% over 2012, while Munich Reinsurance Co. remained the largest reinsurer with 2013 net written premiums of \$35.50 billion, the report said. However, Fitch noted "muted growth in capital and premiums" for the entire group as shareholder equity growth reached only 1.6% in 2013. The group netted only "marginal growth in overall insurance premiums as underwriting opportunities are limited," the report said. But the rating outlook is stable, said Fitch, "as the majority of ratings will be supported by strong capitalization and continued, if declining, profitability, with negative fundamental trends largely factored into current ratings."

Insurer premiums up as economy recovers

■ The recent economic recovery in many countries around the world has boosted insurance premium volume growth, Munich Reinsurance Co. said in its "Insurance Market Outlook 2014" report. Overall, Munich Re predicts, global primary insurance premium volume will grow by 2.8% in 2014

and by 3.2% in 2015. According to estimates by Munich Re, global insurance premiums in 2013 totaled €3.429 trillion (\$4.701 trillion), of which €1.196 trillion (\$1.640 trillion) were for property/casualty business, €1.897 trillion (\$2.601 trillion) for life and the remainder for health business, said a spokesman for Munich Re. "After three years of relatively low growth rates, global premium growth is slowly picking up once again," Michael Menhart, chief

economist at Munich Re, said in a statement. "Above all, this is due to economic recovery in industrial nations."

Nick Packer takes over as CEO of Torus

■ Dermot O'Donohoe is stepping down as CEO of Torus Insurance Holdings Ltd. and being replaced by Nick Packer, joint chief operat-

ing officer of Enstar Group Ltd., the companies said. Hamilton, Bermuda-based Enstar and Greenwich, Connecticut-based Stone Point Capital LLC acquired Torus at the beginning of April. Mr. O'Donohoe is leaving after "having helped to steer the company through the transition period following the July 2013 announcement of the acquisition of Torus by Enstar and Stone Point," Hamilton-based Torus said in its statement.

RIISING TO MEET THE DEMANDS OF COMPLEX BROKERAGE.

As complex risks become increasingly difficult to place, the demands placed on you will only continue to rise. Burns & Wilcox Brokerage has evolved to meet these challenges with our expertise, experience and seamless access to global market centers.

Learn more at burnsandwilcoxbrokerage.com



Burns & Wilcox
B R O K E R A G E

EDITORIAL

MULTIEMPLOYER PENSIONS IN JEOPARDY

One of the biggest — yet little publicized — issues in the pension arena involves the nation's multiemployer pension plans. Those roughly 1,400 plans cover more than 10 million employees, retirees and dependents. Regrettably, a chunk of those plans — about 175 — are in such bad shape that they will run out of assets, says the Pension Benefit Guaranty Corp., and will need federal assistance to pay participants' guaranteed benefits.

The cost of that PBGC rescue: nearly \$10 billion. The PBGC, which has just \$1.8 billion in its multiemployer pension insurance fund, almost certainly will be unable to pay for such a rescue. That would mean hundreds of thousands of plan participants could lose benefits they were counting on.

How did this problem develop? Certainly, one reason is that some of the plans promised more than they could afford.

In other cases, factors over which the plans had little or no control came into play. Some plans withered due to industry changes that shrank jobs, resulting in more employers going out of business and few, if any, new employers to replace them.

In other cases, changes in federal law, such as deregulation, injected more industry competition, with the result being that older, unionized firms found it difficult to compete against new companies with lower benefit costs and failed.

Indeed, as we recently reported, at one of the nation's largest multiemployer plans — the Central States, Southeast and Southwest Areas Pension Fund in Chicago — more than 600 companies in the plan have gone into bankruptcy, leaving just four of the 50 largest employers that contributed to the plan in 1980 still in business.

And finally, federal lawmakers may have contributed unintentionally to the problem. Under a 1980 law, employers that leave underfunded multiemployer plans are required to pay a share of the plans' promised but unfunded benefits.

Because many of the plans have amassed huge liabilities, the specter of being liable one day for a huge withdrawal liability tab has discouraged prospective employers from joining the plans.

We don't pretend to have the answers to solve the plans' financial problems, although easing withdrawal liability penalties strikes us as a good place to start.

We do know that with tens of billions of dollars at stake, the issue is so important that lawmakers, employers and unions need to work together — and soon — to come up with solutions.

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

Please send your letters to:

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

Fax: 312-280-3174; email: gsouter@businessinsurance.com

SCHILLERSTROM



COMMENTARY

SIMPLE APPROACH COULD LEAD TO PERMANENT TRIA SOLUTION

While it's still too early to call, it looks increasingly likely that the federal terrorism backstop will be renewed again this year.

The renewal of the program, originally passed as the Terrorism Risk Insurance Act of 2002, would of course be good news for risk managers and the insurance industry. Without the backstop, coverage for terrorism risks in urban areas would at best be very expensive and at worst be impossible to obtain.

But the need to keep going back to Congress to renew this crucial program — it's been modified and renewed twice so far — is unsatisfactory. The backstop clearly is needed to support U.S. and global commerce, yet every few years TRIA advocates have to parade the same arguments in front of lawmakers, who surely have many other worthy bills they could be working on.

Clearly, a permanent backstop would simplify the process and provide a degree of certainty for insurers and their customers. Realistically, however, we are far from achieving that goal. Instead, a little more coverage is chipped away each time the program is renewed. Before that coverage is chipped away too much, TRIA advocates may be better served by looking for ways to rework the program in such a way that the commercial sector is contributing to the backstop, even though the current program has so far not cost the government a penny in claims.

If insurers, and ultimately their customers, put some skin in the game in the form of a modest — heavy emphasis on the word “modest” — premium for the coverage the government supplies, they may have a better chance winning a permanent solution.



GAVIN SOUTER
EDITOR

If such a mechanism had been in place since TRIA was first passed, a substantial pool of money could already have been accumulated to pay for future losses. Such a pool would grow quickly if, as we all hope, loss-free years continue. In addition, as terrorism coverage is compulsory for workers compensation, the law of large numbers could make any premium contribution

negligible for employers.

The accumulation of funds from the beneficiaries of the program also should make the program more palatable to critics on the right who advocate free markets and those on the left who object to government subsidizing business.

Public-private partnerships have worked well to stimulate commerce and advance public policy in other areas of the economy — for example, infrastructure construction projects — and there's every reason to hope that it could work well in the insurance industry.

The risk of catastrophic terrorism is still uninsurable in the conventional market, as insurers have no way of adequately underwriting the risk. And while it may go against the grain for many to suggest that private industry hand over more money to the care of the government, that may be an investment worth making if the payoff is a permanent solution to insuring against terrorism risk.

YOUR JOB IS ALL ABOUT MANAGING RISK

A photograph showing a person's feet standing on a metal step ladder. The ladder has a red warning label that says "DANGER" and "WATCH YOUR FEET". The person's feet are positioned on the top rungs of the ladder, suggesting a precarious or risky situation.

Why Risk your advertising spend?

Go with a Premium publication that reaches a Premium audience
with Premium content on Premium platforms.

BUSINESS INSURANCE®

PRINT DIGITAL EVENTS LEAD GENERATION CONTENT MARKETING CUSTOM SOLUTIONS

advertising@businessinsurance.com

312.649.5243

Why Risk it?

SPECIAL REPORT

Alternative Benefits Funding, Captives

Employers use VEBA's to manage costs for retiree health

PAGE 16

Maine captive offers primary health cover to employer group

PAGE 19

Cell-captive option provides solution for health care risks

PAGE 18

Top 10 ranking of benefits brokers

PAGE 20



Stop-loss cover caps health care catastrophe risks



With reform law prohibitions on limits, employers seek alternative solution

BY MATT DUNNING

The rising frequency of catastrophic health care claims and the elimination of coverage limits under the health care reform law could lead to an increase in self-funded employers buying medical stop-loss insurance.

During the past three years, much of the limited growth in stop-loss insurance placements has been driven by mid-market employers switching to self-funded arrangements (see chart below). Those employers have largely sought to relieve themselves of the taxes imposed on fully-insured benefit programs, as well as the fees such as risk charges which are assessed on fully insured group health plans by insurers, generally about 2% of the annual group premium.

“Generally, the growth we’re seeing is in the 1,000-lives-and-under segment,” said Ed Kaplan, New York-based senior vice president and national health practice leader at The Segal Group Inc.

However, experts say stop-loss purchasing is likely to increase across all sizes of self-insured employers beginning later this year — including larger employers — in part because of the prohibition on annual limits on the dollar value of employee health coverage that went into effect in January under the Patient Protection and Afford-

able Care Act.

Coupled with the reform law’s previous prohibition of lifetime dollar value limits, experts say the bar on annual limits likely will drive more self-insured employers to implement stop-loss coverage to shield their cash flow against unlimited liability from high-cost health care claims.

“We tried to warn some of our clients that the phase-out of those limits was coming, but it was hard to get a lot of traction in those conversations,” said Ryan Siemers, founder and principal of the Alexandria, Virginia-based brokerage Aegis Risk L.L.C. “Once employers have been faced with a high-cost claimant, that’s when we think they’ll realize that the liability for that claim is fully uncapped.”

According to Brentwood, Tennessee-based MyHealthGuide L.L.C., the nation’s five largest stop-loss insurers are Cigna, Sun Life Financial, HCC Life Insurance Co., HM Insurance Group, and Symetra.

For most employers, experts say the prospect of incurring a catastrophic health care claim is not a question of “if,” but rather “when,” given the rate at which the frequency of high-cost claims has increased during recent years.

According to a December report by Pittsburgh-based Highmark Inc., the rate

STOP-LOSS COVERAGE

Midsize and large employers’ purchasing of stop-loss coverage for self-insured health plans

Year	200-999 FTE*	1,000-4,999 FTE*	5,000+ FTE*	All
2013	94%	85%	40%	59%
2012	94%	89%	39%	58%
2011	90%	88%	40%	57%

*Full-time equivalent employee
Source: Kaiser Family Foundation

of health care claims in excess of \$1 million doubled in just five years, rising to 4.2 claims per 100,000 employees in 2012 from 2.1 claims in 2008 (see chart at right).

As a result, experts said many insurers are marketing specific stop-loss coverage with attachment points of \$1 million or higher to larger self-funded employers that previously relied on their own retentions to address higher-cost claims.

“Five years ago, it was tricky to get a stop-loss quote with anything higher than a \$500,000 attachment point,” Mr. Siemers said. “Today, we’ve found most carriers willing to go up to \$1 million without really blinking, especially as the claims experience at that size level is probably more easily attainable.”

Higher specific attachment points are just one of several policy terms and conditions on which insurers have recently signaled some degree of flexibility to entice self-insured employers toward stop-loss coverage.

“One thing that’s loosened up is that the insurers used to all require their administrative services (only) clients to purchase stop loss exclusively from them,” said Mike Wojcik, Orland Park, Illinois-based senior vice president of employee benefit solutions at The Horton Group. “Today, most of the

HIGH-COST CLAIMS

The incidence of high-cost medical claims of \$1 million or more doubled in the five-year period between 2008 and 2012. Rates are per 100,000 claims.

Year	\$500,000	\$750,000	\$1M
2012	27	9.8	4.2
2010	19.8	5.7	1.7
2008	16.5	5.0	2.1

Source: Highmark Insurance Group

large insurers have given their ASO employers the option of placing their stop loss coverage with another insurer. It gives employers a good opportunity to take advantage of a favorable marketplace.”

For smaller employers that are more sensitive to cash flow volatility, several insurers have introduced stop-loss features such as specific simultaneous reimbursements and monthly aggregate accommodations, in which an employer’s aggregate deductible is prorated on a monthly basis.

“Rather than waiting until the end of the policy period to determine whether or not claims have reached the aggregate deductible, we look at whether or not there’s a reimbursement due in a particular month, based on the expected claim experience for that month,” said Karen James, assistant vice

BENEFITS RISKS GAIN C-SUITE ATTENTION

Part from the rising number of catastrophic health care claims and cost pressures resulting from the Patient Protection and Affordable Care Act, benefit experts say a partial driver in the recent uptick in employers’ stop-loss inquiries is the extent to which senior executives and financial officers are involving themselves in the administration of their companies’ benefit programs.

Sixty-three percent of employers polled in Alexandria, Virginia-based Aegis Risk L.L.C.’s 2013 “Medical Stop-Loss Premium Survey” said their company’s chief financial officer was involved in decisions regarding stop-loss insurance, compared with 56% in 2012.

Additionally, 39% of the employers Aegis polled in 2013 said one or more of their company’s senior executives played a role in stop-loss decisions, more than double the 18% reported in 2012.

“What’s happening behind the scenes with a lot of those organizations is that the CFO or some other high-level executive wonders why it is that

the company doesn’t retain this kind of unlimited liability anywhere else in its business model, but all of the sudden is keeping that risk in-house when it comes to health care,” said Ryan Siemers, Aegis Risk’s founder and principal.

Experts said the next step for employers should be broader integration of their company’s risk management department into strategic decisions regarding their health benefit programs and, specifically, their stop-loss insurance portfolios.

“The benefits side is beginning to think of health care more in terms of risk management, and we’re starting to see integration of those functions,” said Mike Wojcik, Orland Park, Illinois-based senior vice president of employee benefit solutions at The Horton Group. “They’ve been in silos for many years, with different management philosophies and structures, but there has been some melding of the minds in those areas.”

By Matt Dunning

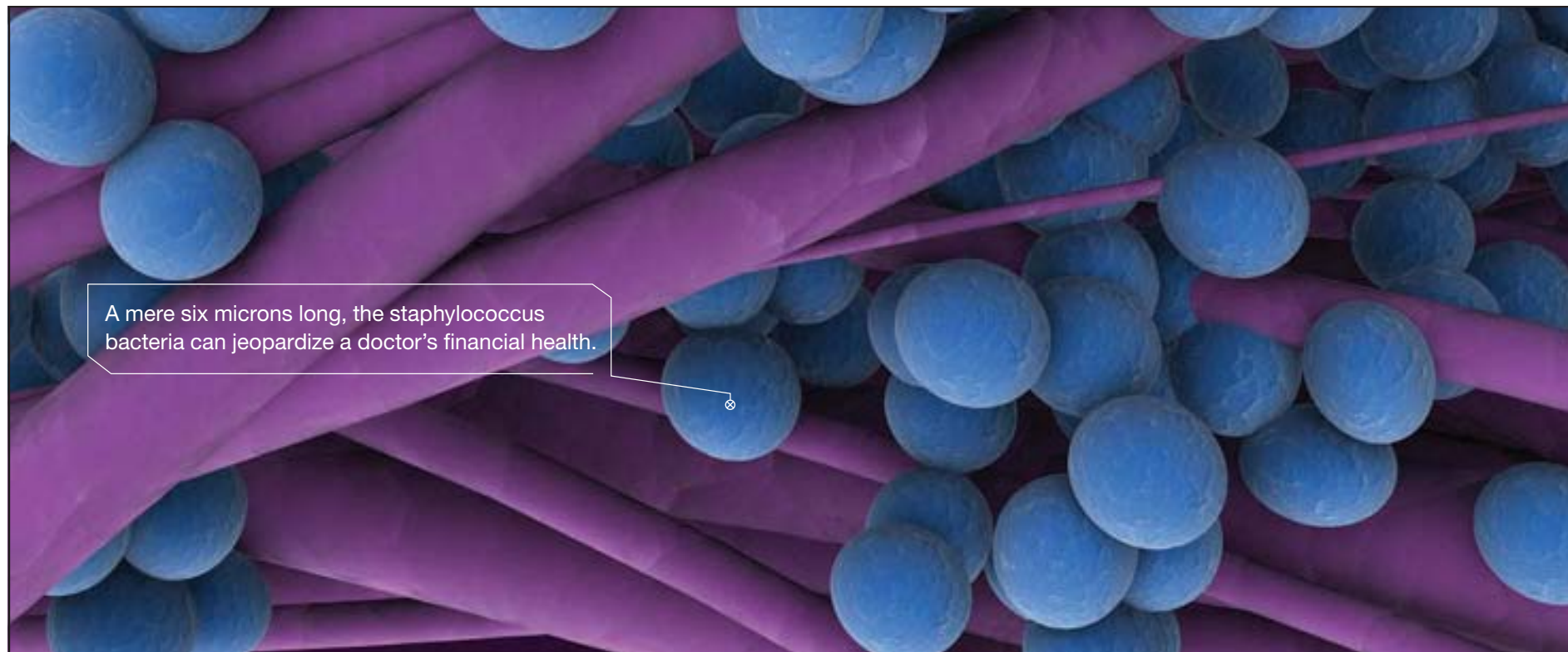
president of strategic operations at Wellesley Hills, Massachusetts-based Sun Life Financial Inc. “It basically breaks out that aggregate determination in order to reduce volatility and improve cash flow performance for the employer.”

Large employers — particularly those with several years of reportable claims history as a self-

funded group — might be able to avail themselves of relaxed disclosure requirements or “dividend-eligible” stop-loss contracts, in which employers whose claims experience outperforms their insurer’s risk pool in multiple consecutive years can earn back a portion of their premium.

“Generally, you’re talking about

(insurers being interested in an employer) that can produce historic claim data for multiple plan years, has a relatively stable employee headcount and is comfortable with a multiyear commitment from the employer,” Segal Group’s Mr. Kaplan said. “Insurers aren’t going to do it for a one-year client.”



A mere six microns long, the staphylococcus bacteria can jeopardize a doctor’s financial health.

Catlin underwriters don’t just recognize potential risk. They anticipate it. At Catlin, our healthcare underwriters focus strictly on Healthcare Liability. They recognize every risk, from the obvious to the barely perceptible. And use that expertise to provide your client the best coverage. Add to that our reputation for integrity and superior claim service and you have every reason to talk to a Catlin underwriter with the expertise you need in any of our wide array of product offerings.

Start a long-term relationship with us today at CatlinUS.com/expertise.

CATLIN
Underwriting Ambition

AM Best rating of A (Excellent) XV

SPECIALTY INSURANCE

REINSURANCE

Accident & Health | Aviation | Casualty E&S | Energy | Environmental | Equine

HEALTHCARE LIABILITY

Marine | Multiline E&S | Professional Liability

VEBAs provide certainty on retiree health care costs

Trusts allow employers to fund programs upfront, create shield against future cost increases

BY JERRY GEISEL

LARGEST VEBAs

The five largest voluntary employees' beneficiary associations have more than \$58 billion in assets, led by the VEBA set up for United Auto Workers union retirees.

NAME	ASSETS
UAW Retiree Medical Benefits Trust	\$55 billion
Goodyear Tire & Rubber Co. Health Care Trust	\$970 million
DTE Energy Co. Master Veba Trust	\$946 million
3M Employees Welfare Benefits Association Trust	\$853 million
The Deere & Co. Welfare Benefit VEBA for Salaried Employees	\$759 million

Source: FindTheBest.com Inc. analysis of 2012 IRS Form 990 financial summary, BI research

Special trusts called voluntary employees' beneficiary associations, long used to fund long-term disability and other employee benefits, have become a way for financially troubled employers to shed their retiree health care liabilities.

VEBAs also are being used by financially healthy organizations. For example, more than 50 colleges

and universities have banded together to fund their retiree health care programs (see related story page 17).

And in a one-of-a-kind approach, The Coca-Cola Co. has proposed using a VEBA as part of a complex arrangement to fund retiree health care using its South Carolina-domiciled captive insurer.

The U.S. Department of Labor approved the arrangement in 2010. And this month, the Internal Rev-

enue Service, in a general revenue ruling, gave favorable tax treatment to the approach.

Coca-Cola said in a statement it is now studying the ruling "so that we can now move ahead."

VEBAs, first authorized by a 1928 federal law, have been around for decades. But it has been only in recent years — because of the size of the newest trusts — that VEBAs have been in the spotlight.

"Until fairly recently, you haven't heard much about VEBAs," said Michael Thompson, a principal with PricewaterhouseCoopers LLP in New York.

But that has changed.

"There have been some very large undertakings," said Dave Ostendorf, a senior consultant with Towers Watson & Co. in Milwaukee.

"VEBAs are becoming an attractive retiree health care funding vehicle," said Tom Tomczyk, a principal in the Pittsburgh office of Buck Consultants L.L.C.

Much of the recent VEBA activity has involved financially troubled employers that were liable for massive retiree health care obligations for union-represented employees and retirees.

The largest retiree health care VEBA transaction goes back to 2007, when the three Detroit automakers reached a VEBA deal with the United Auto Workers union in which Chrysler L.L.C., Ford Motor Co. and General Motors Co. agreed to contribute about \$50 billion to a VEBA controlled by the UAW. With that, the automakers no longer have to provide health coverage to UAW-represented retirees, their families or future retirees.

Also in 2007, Goodyear Tire & Rubber Co. agreed to pump \$1 billion into a VEBA, eliminating its obligation to provide retiree health care benefits as part of a deal struck with the United Steel Workers union.

The two are among the largest to date among the more than 1,000 VEBAs that have been formed (see chart).

What these and other VEBA retiree health care deals have in common are trade-offs for employers, employees and retirees.

For employers, the VEBA approach means relinquishing huge sums of money. For example, the UAW's contract required GM to pump \$30 billion into the VEBA — money that could have been used for other corporate purposes. "You are talking about a very substantial cash commitment," said Towers Watson's Mr. Ostendorf.

On the other hand, employers' VEBA contributions, which include assumptions about interest income over time, may be far less than the benefits' value. In GM's case, its \$30 billion VEBA contribution was \$20 billion less

Ensure You Stand Out.



Designations From The Institutes Bring You Into Focus.

The Institutes are the leading provider of professional development solutions for the risk management and property-casualty insurance industry. Prove your expertise, learn new skills and advance your career through respected designation programs and certifications such as:

- Chartered Property Casualty Underwriter (CPCU®)
- Associate in General Insurance (AINS®)
- Associate in Claims (AIC™)
- Associate in Risk Management (ARM™)
- Associate in Commercial Underwriting (AU™)
- Accredited Adviser in Insurance (AAI®)

With our proven knowledge, you can achieve powerful results. Go to www.TheInstitutes.org

VEBA OFFERS COLLEGES MIDDLE GROUND ON PROVISION OF RETIREE HEALTH CARE

At a time when employment-based retiree health coverage continues to dwindle, more than four dozen colleges and universities are participating in a program that avoids the extremes of no health coverage or unaffordable coverage.

Launched in 2005, the Emeriti Retirement Health Solutions program has grown from 29 schools to its current 51. Under the program, each school contributes to a voluntary employees' beneficiary association, and decides the level of financial support for coverage it wants to provide.

Employees also contribute after-tax dollars to a separate VEBA and direct the investment of their contribution and their

employer's contribution in a set of mutual funds offered by TIAA-CREF.

The contributions and the investment income earn tax-free interest. When employees retire and are eligible for Medicare, they can withdraw funds tax-free to pay premiums for health care plans offered by Aetna Inc. or, in Minnesota, by HealthPartners. Retirees also can use the funds to pay for other uncovered health care expenses, such as claims that fall under a deductible, as well as Medicare Part B and Part D premiums.

Employees who have met their institution's normal retirement eligibility requirements but retire before they are eligible for

Medicare also can withdraw funds tax-free to pay for health care-related expenses.

Participants say the Emeriti program is attractive for several reasons.

"We thought it might encourage faculty and staff to retire at a normal retirement age if they had access to health plans and an account that could be used to assist with medical costs," said Robin Aspinall, treasurer and vice president of business and administration at Claremont McKenna College in Claremont, California. Also, "We liked the idea of a defined contribution plan with a finite cost," she said.

Claremont contributes to the VEBA an amount equal to 0.5% of annual salary for

employees, starting at age 40.

"We like the defined contribution approach. You know what your costs will be," said Jeff Wolf, vice president of fiscal affairs and administration at the University of Evansville in Indiana. The school contributes \$1,400 a year to the VEBA for employees, starting at age 40.

While current Emeriti participants are colleges or universities, that could change. "Museums, libraries, independent elementary and secondary schools remain an area for us to focus our attention," said Emeriti President and CEO David Trainor, based in New Windsor, New York.

By Jerry Geisel

than the \$50 billion value of the benefits.

Employers that use such approaches are free from the cost and administrative hassle in offering retiree health coverage to what can be huge numbers of retirees and their dependents. The auto industry VEBA, which provides coverage to 766,000 Chrysler, Ford and GM retirees and dependents, has 90 staffers, a UAW spokeswoman said. In 2012, the most recent information available, about \$4.1 billion was paid for participants' health services, she said.

How long the money employers contribute to VEBAs will last is an unknown because of the lack of certainty on two key variables: investment returns and health care inflation rates.

On the other hand, the VEBA approach assures retirees "that some benefits will be provided where otherwise retirees might have ended up with none," said Buck Consultants' Mr. Tomczyk.

From the retirees' perspective, "It is better to have something funded than not funded," Mr. Ostendorf said.

"The money is secure and dedicated to retirees' benefits. That has helped to bolster the security of the benefits," Mr. Thompson said.

More retiree health care VEBAs may be formed down the road.

Mr. Ostendorf said he believes interest could come from the public sector, which has amassed enormous, and largely unfunded, retiree health care obligations. In 2010 — the last year for which complete information is available — states had \$627 billion in unfunded retiree health care obligations, according to a 2012 study by the Pew Center on the States, a non-profit organization in Washington.

However, Congress' failure last year to extend a VEBA-related provision that was part of a 2009 law removed a tax break for special retiree health care VEBAs: those authorized by federal bankruptcy courts.

Under that provision, VEBA participants were eligible for a federal tax credit equal to 72.5% of the premiums they paid for coverage. That tax credit, though, expired at the end of 2013, and little momentum has developed in Congress to restore it.



The greatest navigators have already been where you're going.

For nearly half a century, we have helped steer our clients through the complexities of their every legal issue. Whether in a courtroom or a boardroom, along the full spectrum of their legal needs, we have been there to lead our clients to their destination.

**Providing true north.
All around the globe.**

cozen.com

 **COZEN
O'CONNOR**

Midsized employers join forces to self-insure health care liabilities

Pooled approach cuts volatility for individual firms

BY JERRY GEISEL

Senior care and services organization Kendal at Oberlin fully insured its health care coverage for about 200 employees for years, but CEO Barbara Thomas and her management team were not satisfied with the arrangement for the Oberlin, Ohio-based senior living organization.

“We just didn’t have a lot of confidence that it would be sustainable or affordable for the long term,” Ms. Thomas said.

“We had a history in which premiums were constantly in flux without any basis to predict future costs,” Ms. Thomas said.

Given its small size, self-insuring Kendal at Oberlin’s health care coverage was not a practical option, she said.

“As long as we were self-insured, we ran the risk of being exposed to catastrophic claims that could be financially devastating to our

organization,” Ms. Thomas said.

Working with various consultants, including IMA Inc. of Denver, the nonprofit launched a new approach. First, it assumed a \$25,000 self-insured retention per claimant. Then, joining forces with 10 other midsized Quaker, Mennonite and Brethren-faith-based senior living based organizations with about 1,500 employees, Kendal at Oberlin utilized a Delaware-based cell captive to self-insure claims of more than \$25,000 up to \$250,000 per claimant. The group operates as the Peace Church Health Insurance Program.

“This is a long-term strategy,” Ms. Thomas said, adding that the savings she believes Kendal at Oberlin will achieve will “enable us to be better stewards of our resources to serve residents and staff, as well as influence better health outcomes.”

Other employers also are bullish on the group/captive concept.

“This was a good move for us,” said Marnie Young, director of human resources in Roanoke, Virginia, with computer software firm Meridium Inc.

Working with Lynchburg, Virginia-based Scott Captive Solutions, Meridium, which has about 180 employees, also, since 2011, has participated in a Vermont-based cell captive, which covers health claims in the \$25,000 to \$250,000 layer, along with several other midsized employers.

“This is a great way to achieve premium savings. Instead of paying premiums and, ultimately, profits to an insurer, we can take the savings we are achieving and use those savings to contribute to employees’ health savings accounts,” Ms. Young said.

The companies are among dozens, if not hundreds, of employers, mostly midsized with 100 to 500 employees, that have banded together in recent years to self-

insure part of their health care liabilities through group or cell captive. Simply put, a cell captive is a segregated or walled-off part of a larger captive in which a group of employers, perhaps in the same industry or with a similar loss experience, self-insure a layer of coverage.

“You don’t put a 200-life software company with a 200-life trucking company,” said Sean Willoughby-Ray, vice president-practice lead, at Scott Captive Solutions in Greensboro, North Carolina. “Our experience is that similar risk profiles facilitate equitable risk sharing,” Mr. Willoughby-Ray added.

The employers pay premiums to the captive. A fronting insurer pays claims and then is reimbursed by the captive.

“It is a pooling of risk,” said Terry Richardson, a principal in Dallas with PricewaterhouseCoopers L.L.P. “These are programs managed by captive managers,” so participating employers do not have to figure out how to manage captives, he said.

Part of the motivation for participation is longstanding. Since the employers are effectively self-insuring their own risks, they are exempt — under a pre-emption provision in the federal Employee Retirement Income Security Act — from state laws that require insured health plans to offer certain benefits.

That exemption from state mandated benefit law cuts costs by roughly 1% to 2%, experts say, and just as significantly gives employers operating in multiple states the ability to offer a uniform benefit plan design.

“By self-funding, an employer has greater control in designing plans tailored to its employee population,” said Tris Felix, vice president of risk management in Denver with IMA.

“There is great savings in being able to have a single plan design for all the states in which the employ-

er operates,” said Anne Waidmann, director human resource services at PricewaterhouseCoopers L.L.P. in Washington.

The Patient Protection and Affordable Care Act has given group captives another boost. The 2010 law imposes billions of dollars in new taxes that commercial health insurers must pay the federal government on coverage they write directly, a cost that will be passed on to policyholders.

Those taxes give employers “an even greater impetus to look at alternatives,” said Greg Stencil, an account executive with Scott Captive Solutions in Greensboro, North Carolina.

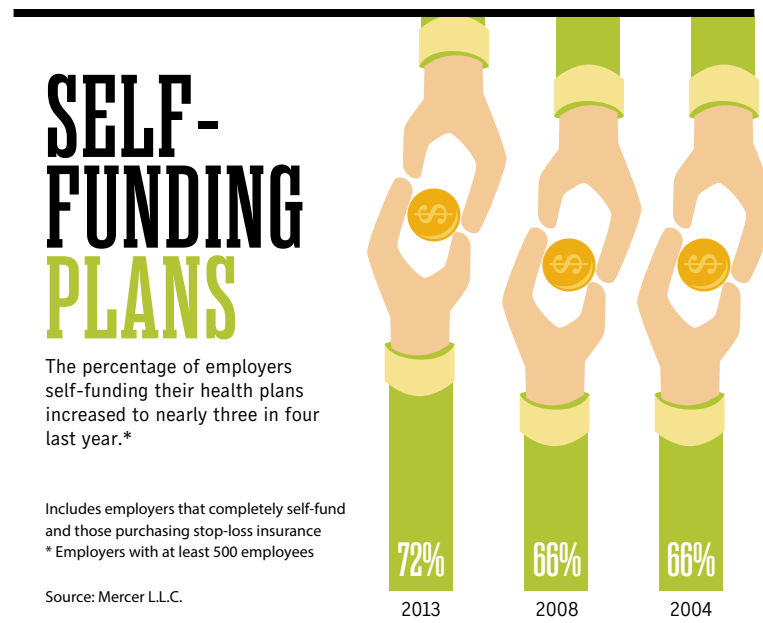
“Employers get away from that overhead” through self-funding through group captives, said Dave Ostendorf, a senior consultant at Towers Watson & Co. in Milwaukee.

Larger employers also have tapped their captives to provide stop-loss coverage on their group health programs. For example, Banner Health, a Phoenix-based health care system with about 37,000 employees, has used its Cayman Islands captive, Banner Indemnity Ltd., to provide stop-loss coverage, with the amount of risk assumed by the captive steadily increasing over three years.

“It was a transition to total self-funding,” said Dale Schultz, Banner Health’s vice president of business health and risk management. “We can assume the risk ourselves.”

During that transition, Banner Health developed better management of claims as corporate units became more comfortable with self-funding, Mr. Schultz said. During the first year of the program, the health care system saved \$750,000 compared with savings rising to \$1 million in each of the next two years.

By totally self-funding, the annual savings — compared to buying coverage exceeds \$2.5 million, Mr. Schultz said.



MAINE HEALTH CARE CAPTIVE OFFERS PRIMARY COVERAGE TO EMPLOYER GROUP

BY JOANNE WOJCIK

The nation's first group health insurance captive, formed as a result of special enabling legislation in Maine, is flourishing while controlling health care costs for its 50 employer members through value-based purchasing and an emphasis on wellness and disease prevention.

While numerous group captives have been formed in various U.S. domiciles to provide stop-loss coverage to self-insured employers, the Maine Wellness Association Captive is the first of its kind formed to provide primary health care coverage to employer groups.

Unlike a multiple employer welfare arrangement, which is governed by the federal Employee Retirement Income Security Act, the Maine Wellness Association Captive is state-regulated. As such, it provides coverage for all state-mandated benefits, but also meets minimum essential benefit requirements of the Patient Protection and Affordable Care Act.

"Although we're structured as a captive, we are following all the same guidelines as an insurer," said Art Batson III, chief financial officers and owner of Falmouth, Maine-based John Lucas Tree Expert Co., one of the initial captive members, and chairman of its board of directors. "We're the only association captive in the country that is doing health. It's like a trust. It's just a different legal instrument. But to join the captive, you have to have Maine operations."

The health care captive was made possible as a result of a 2011 amendment to Maine's captive law that state lawmakers passed at the urging of employers, said Eric Cioppa, the state's superintendent of insurance.

"The groups approached the legislature to change the statute," Mr. Cioppa recalled. "We didn't have a lot of competition in the small-group market."

Because many of the health care captive's founding members had succeeded in lowering their workers compensation costs via self-insurance, they wanted to replicate that success in health care, Mr. Cioppa said.

"We have one of the biggest self-insured workers compensation markets in the country," with nearly half of Maine employers self-insuring their occupational exposures via multiemployer trusts, he said.

Rather than forming a trust, the employers chose the captive route because it was not governed by ERISA and required lower startup costs, said those involved in the captive's formation.

Since its Jan. 1, 2012, inception, the captive has grown to include 50 employer members, which collectively provide health coverage to 4,500 employees and their dependents, said Joe Edwards, a former Maine insurance regulator who was instrumental in getting the

captive formed and now serves as its president.

Captive executives say they are keeping cost increases at or below market levels. There are no initial capital requirements to join; employers pay a \$100 annual membership fee to belong to the wellness association. Then, depending on their size, employers pay premiums for the captive's health insurance program, "MaineSense," based on their group's claims experience or a community rate based on employee demographics.

Employers determine their own plan's benefits and employee pre-

mium contributions. The captive picks up claim costs up to \$500,000 per individual, with specific stop-loss coverage purchased from Pembroke, Bermuda-based PartnerRe Ltd. covering the rest, Mr. Edwards said.

The captive has succeeded in limiting members' rate increases through value-based purchasing via direct contracts with health care providers and by emphasizing wellness and disease prevention, Mr. Edwards said.

For example, the captive contracts with an imaging center normally closed on Saturdays to pro-

vide mammograms and colonoscopies to plan members at a fraction of what they would cost during the week, he said.

"We also are bringing health care to the worksite," Mr. Edwards said. "We had two guys who hadn't been to the doctor in 30 years. So we brought the doctor to them" by providing biometric screenings and worksite medical care.

"We call it Triple Aim," Mr. Edwards said. "The No. 1 priority is better health for employees. No. 2 is a better health care system. We think if we do those two things, there will be better costs," the

third prong of the plan.

So far, the captive is achieving that goal, said Joel Allumbaugh, president of the Hallowell, Maine-based National Worksite Benefit Group, who has been a consultant to the captive since the startup.

"It has performed equal to, if not a little bit better than, the market," he said. Also, "with employer committees active in developing policy and changes to improve the program to suit the wants and needs of its members, it's also delivering a unique and beneficial experience" to captive members and their employees, he said.

BUSINESS INSURANCE INTERACTIVE DIGITAL SUBSCRIPTION!

The authoritative news and information source for executives responsible for risk management and employee benefits and the impact on their businesses. With a team of experienced journalists, *Business Insurance* has the editorial strength, experience and credibility to deliver news and insights that readers depend on to do their jobs better.

Have all the exclusive *Business Insurance* print content delivered to you in an **INTERACTIVE** digital format through a Web-based magazine reader and popular tablet devices!

**SUBSCRIBE
TODAY
ONLY \$99**



Subscribe now at BusinessInsurance.com/digital

BUSINESS INSURANCE®

www.businessinsurance.com

MAINE HEALTH CARE CAPTIVE OFFERS PRIMARY COVERAGE TO EMPLOYER GROUP

BY JOANNE WOJCIK

The nation's first group health insurance captive, formed as a result of special enabling legislation in Maine, is flourishing while controlling health care costs for its 50 employer members through value-based purchasing and an emphasis on wellness and disease prevention.

While numerous group captives have been formed in various U.S. domiciles to provide stop-loss coverage to self-insured employers, the Maine Wellness Association Captive is the first of its kind formed to provide primary health care coverage to employer groups.

Unlike a multiple employer welfare arrangement, which is governed by the federal Employee Retirement Income Security Act, the Maine Wellness Association Captive is state-regulated. As such, it provides coverage for all state-mandated benefits, but also meets minimum essential benefit requirements of the Patient Protection and Affordable Care Act.

"Although we're structured as a captive, we are following all the same guidelines as an insurer," said Art Batson III, chief financial officers and owner of Falmouth, Maine-based John Lucas Tree Expert Co., one of the initial captive members, and chairman of its board of directors. "We're the only association captive in the country that is doing health. It's like a trust. It's just a different legal instrument. But to join the captive, you have to have Maine operations."

The health care captive was made possible as a result of a 2011 amendment to Maine's captive law that state lawmakers passed at the urging of employers, said Eric Cioppa, the state's superintendent of insurance.

"The groups approached the legislature to change the statute," Mr. Cioppa recalled. "We didn't have a lot of competition in the small-group market."

Because many of the health care captive's founding members had succeeded in lowering their workers compensation costs via self-insurance, they wanted to replicate that success in health care, Mr. Cioppa said.

"We have one of the biggest self-insured workers compensation markets in the country," with nearly half of Maine employers self-insuring their occupational exposures via multiemployer trusts, he said.

Rather than forming a trust, the employers chose the captive route because it was not governed by ERISA and required lower startup costs, said those involved in the captive's formation.

Since its Jan. 1, 2012, inception, the captive has grown to include 50 employer members, which collectively provide health coverage to 4,500 employees and their dependents, said Joe Edwards, a former Maine insurance regulator who was instrumental in getting the

captive formed and now serves as its president.

Captive executives say they are keeping cost increases at or below market levels. There are no initial capital requirements to join; employers pay a \$100 annual membership fee to belong to the wellness association. Then, depending on their size, employers pay premiums for the captive's health insurance program, "MaineSense," based on their group's claims experience or a community rate based on employee demographics.

Employers determine their own plan's benefits and employee pre-

mium contributions. The captive picks up claim costs up to \$500,000 per individual, with specific stop-loss coverage purchased from Pembroke, Bermuda-based PartnerRe Ltd. covering the rest, Mr. Edwards said.

The captive has succeeded in limiting members' rate increases through value-based purchasing via direct contracts with health care providers and by emphasizing wellness and disease prevention, Mr. Edwards said.

For example, the captive contracts with an imaging center normally closed on Saturdays to pro-

vide mammograms and colonoscopies to plan members at a fraction of what they would cost during the week, he said.

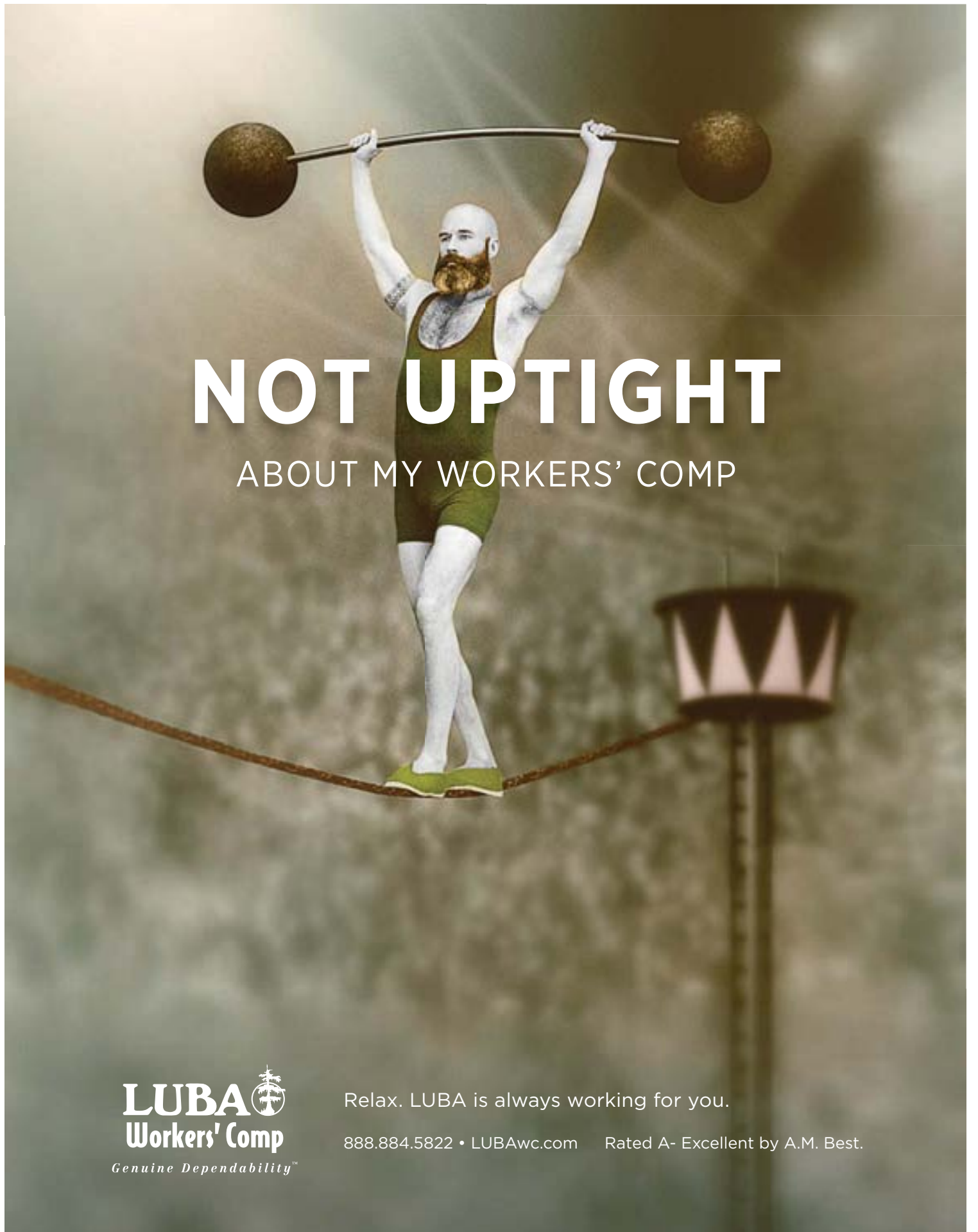
"We also are bringing health care to the worksite," Mr. Edwards said. "We had two guys who hadn't been to the doctor in 30 years. So we brought the doctor to them" by providing biometric screenings and worksite medical care.

"We call it Triple Aim," Mr. Edwards said. "The No. 1 priority is better health for employees. No. 2 is a better health care system. We think if we do those two things, there will be better costs," the

third prong of the plan.


So far, the captive is achieving that goal, said Joel Allumbaugh, president of the Hallowell, Maine-based National Worksite Benefit Group, who has been a consultant to the captive since the startup.

"It has performed equal to, if not a little bit better than, the market," he said. Also, "with employer committees active in developing policy and changes to improve the program to suit the wants and needs of its members, it's also delivering a unique and beneficial experience" to captive members and their employees, he said.



NOT UPTIGHT

ABOUT MY WORKERS' COMP

LUBA 
Workers' Comp
Genuine Dependability™

Relax. LUBA is always working for you.

888.884.5822 • LUBAwc.com Rated A- Excellent by A.M. Best.

LARGEST U.S. BENEFITS BROKER SPECIALISTS*

Largest brokers that derived at least 50% of gross 2013 revenue from benefits business

Rank	Company	City	Website	2013 benefits revenue	% change	% benefits revenue	Officers
1	CBIZ Benefits & Insurance Services Inc.	Leawood, Kansas	www.cbiz.com	\$125,776,672	10.4%	61.0%	Steven L. Gerard, chairman and CEO; Robert A. O'Byrne, president-CBIZ Employee Services
2	Associated Financial Group L.L.C.	Minnetonka, Minnesota	www.associatedfinancialgroup.com	\$37,470,804	5.0%	72.1%	Bill Bohn, CEO
3	Corporate Synergies Group L.L.C.	Mount Laurel, New Jersey	www.corpsyn.com	\$34,500,000	(1.4%)	100.0%	Pete Georgiadis, chairman
4	Oswald Cos.	Cleveland	www.oswaldcompanies.com	\$34,480,000	11.6%	57.0%	Marc S. Byrnes, chairman
5	SilverStone Group	Omaha, Nebraska	www.silverstonegroup.com	\$24,208,000	(4.7%)	58.0%	John P. Nelson, chairman
6	Benefit Controls Cos.	Charlotte, North Carolina	www.benefitcontrols.com	\$18,500,000	(17.8%)	100.0%	W. Scott Gantt, CEO
7	FBMC Benefits Management Inc.	Tallahassee, Florida	www.fbmc.com	\$18,160,802	1.1%	100.0%	David Faulkenberry, president
8	The Loomis Co.	Wyomissing, Pennsylvania	www.loomisco.com	\$17,500,000	10.5%	58.0%	James R. Loomis, president
9	The Plexus Groupe L.L.C.	Deer Park, Illinois	www.plexusgroupe.com	\$11,934,762	14.2%	60.0%	Walter R. Fawcett III, president and CEO
10	Cowan Benefits Inc.	Franklin, Tennessee	www.cowanbenefit.com	\$11,837,853	18.1%	92.9%	David M. Cowan, president

*Includes commissions and fees from brokering group benefits coverage, benefits consulting and benefit plan administration.

Source: BI survey

SOURCE OF BENEFITS

Employers are the major source of benefits, including voluntary coverage, for full-time employees.

Insurance/plan	Total covered	Covered through work*
Medical	90%	83%
Dental	76%	83%
Life	73%	63%
Retirement savings	72%	88%
Vision	60%	82%
Accident	52%	41%
Disability	49%	86%
Critical illness	19%	64%
Long-term care	17%	70%
Cancer	9%	60%

*Portion of total covered

Source: Guardian Life Insurance Co. of America survey

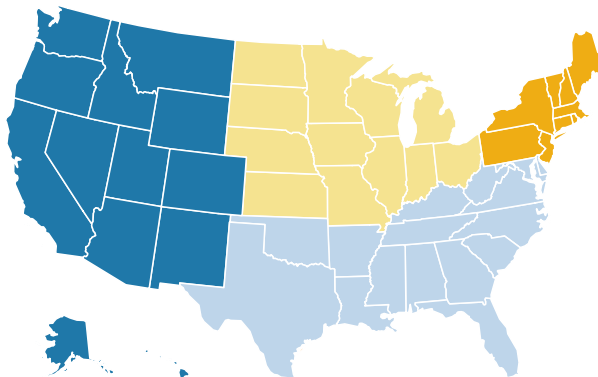
PRIVATE COMPANY COSTS*

Benefits accounted for about 30% of the average hourly cost of an employee in private industry in 2013.

Region	Wages, salaries	% of total	Benefits	% of total
Northeast	\$23.25	68.7%	\$10.61	31.3%
West	\$22.05	70.1%	\$9.39	29.9%
Midwest	\$19.84	69.7%	\$8.61	30.3%
South	\$19.20	71.3%	\$7.73	28.7%
U.S. total	\$20.76	70.1%	\$8.87	29.9%

*Excludes government workers

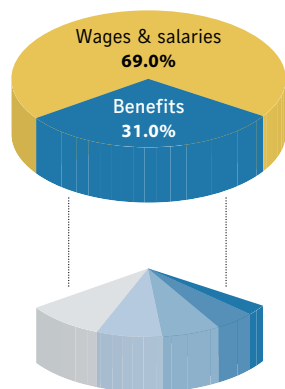
Source: U.S. Bureau of Labor Statistics



EMPLOYER COSTS

Benefits accounted for 30% to 35% of average employer costs for an employee as of December.

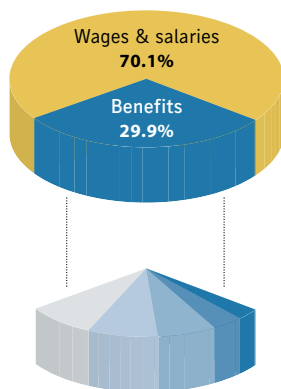
CIVILIAN WORKERS*



BENEFITS

Insurance	9.0%
Legally required**	7.8%
Paid leave	7.0%
Retirement & savings	4.8%
Supplemental pay	2.4%

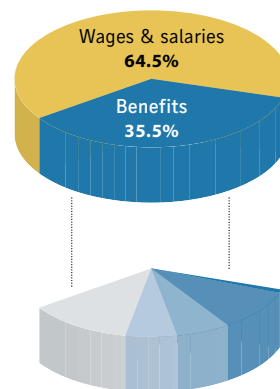
PRIVATE INDUSTRY



BENEFITS

Insurance	8.3%
Legally required**	8.2%
Paid leave	6.9%
Retirement & savings	3.7%
Supplemental pay	2.9%

STATE, LOCAL GOVERNMENT



BENEFITS

Insurance	12.0%
Legally required**	6.0%
Paid leave	7.3%
Retirement & savings	9.4%
Supplemental pay	0.8%

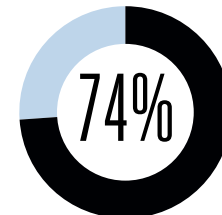
*Includes nonfarm private industry workers, as well as state and local government employees.
**Includes Social Security, Medicare, workers compensation and unemployment insurance.

Source: U.S. Bureau of Labor Statistics

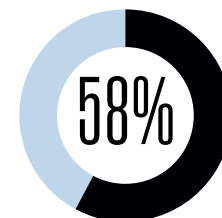
EMPLOYER CONSIDERATIONS

While only 13% of employers set to decrease their benefits budget in 2014, costs, worker retention and regulations factor in surveyed employers' decisions about what benefits to offer employees.

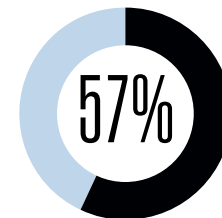
COSTS



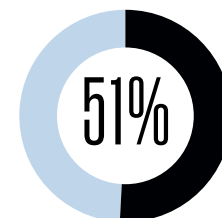
BOOSTING LOYALTY & RETENTION



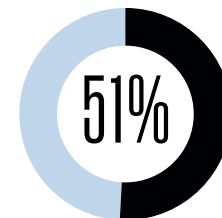
COMPLYING WITH LEGISLATION & REGULATIONS



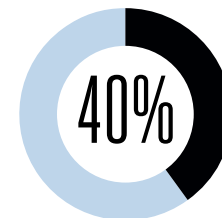
EMPLOYEE FEEDBACK



BOOSTING MOTIVATION & PRODUCTIVITY



COMPETITIVE TRENDS



Source: MetLife Inc. survey

Keep your head in the global cloud



BY MICHAEL BRUEMMER

International data breaches are becoming a serious threat for companies as more data is collected and stored in the cloud. In today's data-heavy environment, data previously shared by businesses within the United States are now moving seamlessly across international borders. Cloud-based storage has allowed for data not only to be more easily accessed, but it has also created heightened legal and regulatory risks because there are no current global standards recognizing data breach laws.

Statistics show that global breaches are rapidly increasing. There were 2,644 worldwide breaches reported in 2012 — more than double the number of breaches reported in 2011, according to the Open Security Foundation and Risk Based Security. When combined with the patchwork of laws in the United States, the complexity of managing data breaches today is more challenging than it's ever been.

Lack of standardized notification laws within the U.S.

The U.S. regulatory framework does not provide a uniform national data breach notification standard that applies to all personally sensitive information. As a result, businesses have to navigate and comply with a complex patchwork of 48 data breach notification laws for nearly every U.S. state, from Washington to Puerto Rico. While some of the laws have similar aspects, they can vary when it comes to the requirements related to the content and timing requirements for consumer notification and parameters for the types of breached information that require consumer notifications.

Although states have differing laws, there are two sector-specific laws that govern breaches affecting consumers' health-related data and financial data — including the Health Insurance Portability and Accountability Act and the Interagency Guidance on Response Programs for Unauthorized Access to Customer Information and Customer Notice. With the recent modification to HIPAA in March 2013, increased penalties and requirements make more enti-

Cloud-based data storage and an international economy have combined to make global data breaches a genuine risk. In the U.S., companies face numerous state laws regarding how to address a breach, and the international arena becomes even more treacherous. Even multinational companies that have a plan for U.S. breaches often lack an international response plan, says Michael Bruemmer, vice president of Experian Data Breach Resolution.

ties liable for violations. Companies are now required to report breaches affecting 500 or more individuals to major media outlets and the U.S. Department of Health and Human Services.



Complex landscape associated with international breaches

Data breaches that affect an international consumer base create a more complex situation for companies, even more so than data breaches that cross U.S. state lines. Inherent challenges due to various cultural differences and language barriers come to play here, with nuanced differences down to the detail of how consumers will respond to data breach notifications. An interesting finding is that fewer individuals respond to a data breach notification letter in the U.S. — which some label as “data breach notification fatigue” — whereas individuals living outside the U.S. are more likely to respond.

One way for companies to reduce the chaos of a cross-border breach is to have an international data breach response plan in place. A recent national survey found that 50% of multinational companies that have a response plan in place in the U.S. did not have an international response plan created. As international breaches continue to be a more common occurrence, this number is expected to grow. It is essential for companies to plan for the event of an international breach to help mitigate resulting costs — both financial and reputational.

To better plan for and manage both international and domestic data breaches, companies can follow three key recommendations.

1 Engage outside legal counsel & secure pre-breach agreements

It is always a good idea to prenegotiate legal arrangements to prepare for data breaches. That way, if an organization does experience a breach, they will have an attorney readily available. When working in a foreign country, companies need to understand that it

may also be necessary to hire an attorney local to where the data is being stored who is familiar with the local breach notification laws or — as the case may be — the lack of them. As legal professionals notably understand, an organization will benefit from expert counsel on the political climate surrounding privacy issues and current or proposed legislation in the affected region. Some countries have specific laws for security incidents, while others may only have voluntary guidelines.

2 Generate internal buy-in for response plans

As Winston Churchill said, “He who fails to plan is planning to fail.” Don't underestimate the value of an international data breach response plan. An up-to-date response plan can save a business nearly 25% per record, according to “Cost of a Data Breach Study: Global Analysis” by the Ponemon Institute L.L.C. The study notes that the average cost of a breach in the U.S. last year was \$188 per record, with an average of 23,647 records. At that rate, a 25% reduction could save a company \$1.1 million per breach.

At the heart of every good incident response plan is a team that is prepared and willing to implement it. This team should consist of a team leader, a senior management representative, compliance, privacy, information technology security, legal counsel (internal or external), risk management, public relations (internal or external), human resources and customer service or patient relations. Other outside consultants usually include forensics investigators and data breach resolution providers. But perhaps the most important person to have involved with the response team is the chief executive officer. This is the leader of the organization, and without his or her consent, not much can be accomplished.

Organizations with operations outside the U.S., as well as domestic organizations with customers abroad, such as U.S.-based online retailers should have a global plan that identifies everything from members of the internal response team, to third-party consultants — such as attorneys — and the steps that need to be taken to investigate, mitigate and respond to the breach. It's also essential

to practice the response plan on a regular basis to ensure everything is properly in place and will run smoothly in the case of an incident.

3 Understand and relate to customers

It's best to remember to think of clients, patients or employees when preparing for a breach. As we have seen with some of this year's high-profile data breaches, a security incident can have very real consequences on companies in every sector — both financial and reputational. If an incident occurs, try to think about how affected customers are feeling and how your company can rebuild their trust in your organization. For an international breach, it's essential to factor in cultural differences of each affected country, as these differences can affect how consumers perceive a breach and react to notification letters. In fact, many countries don't have the “breach fatigue” that we have in America, so local residents may be more alarmed about identity theft.

For global notification, create easy-to-understand letters that can be easily translated. Translation isn't always simple. It needs to be double- and triple-checked for potential misinterpretation and cultural meanings. Even if one word is translated improperly, it can cause confusion and legal issues. In addition, call centers should be staffed with individuals who can speak and clearly communicate in the native language of the regions affected.

Surprisingly, even after experiencing a breach, 39% of companies say they have not developed a formal data breach plan resolution plan. It's important for every organization to have a formal data breach response plan in place that can address both U.S. regulation and international implications. Preparation is the key to mitigating potential damage. Ultimately, this puts organizations in a solid place to build and maintain customer trust.

Michael Bruemmer is vice president of Experian Data Breach Resolution, headquartered in Costa Mesa, California. He can be reached at michael.bruemmer@experian.com and 949-294-8886.

Allied World launches Canadian P/C coverage

Allied World Assurance Co. Holdings A.G. has launched its first property/casualty offering in the Canadian market.

Gord Kerr, senior vice president, chief agent and branch manager at Allied World, is leading the build-out of the lines, the Zug, Switzerland-based insurer said in a statement.

“While many insurers provide (property/casualty) coverage, we are proud to offer first-class products that limit coverage gaps and provide customized solutions tailored for each client,” Mr. Kerr said in the statement.

The property team will provide capacity for a range of industry classes for midsize to large Canadian-based companies on either primary, quota-share or excess layers, Allied World said.

The excess casualty team will underwrite a range of classes on either the lead umbrella or excess layer. Allied World’s Strategic Response program and other risk management services will be available for policyholders.

Council portal to help brokers with FATCA

The Washington-based Council of Insurance Agents & Brokers has established an online portal to allow brokers to access forms related to the Foreign Account Tax Compliance Act.

FATCA, which takes effect July 1, will require insurance brokers to document that every non-U.S. financial institution with which they do business is FATCA-compliant or FATCA-exempt.

While the intent of the 2010 law was to prevent tax evasion by U.S. entities placing funds overseas via investment vehicles, it also applies to some property/casualty placements. Demonstrating compliance will require an IRS-issued certificate to be collected from every non-U.S. financial institution involved with insurance with any exposure to U.S. risk.

The council’s www.w8bene.com portal will house each foreign insurer’s W-8BEN-E IRS form so brokers can access the ones they need at any time.

The council said there will be a “nominal cost associated with the portal,” but the group is allowing users a free trial period until Jan. 1, 2015.

“Our industry is facing a tight deadline with July 1 right around the corner, and we’re doing all we can to help educate and prepare brokers and foreign insurers alike for this massive change in process,” Council President and CEO Ken A. Crerar said in a statement.

Retailers roll out center to share cyber intelligence

The Retail Industry Leaders Association has launched an independent organization, the Retail Cyber Intelligence Sharing Center, in cooperation with several retail brands to strengthen cyber attack defenses and protect customers.

Through the center, retailers can share cyber threat information among them-



Schinnerer offers residential builders program

* Underwriting manager Victor O. Schinnerer & Co. Inc. has launched a residential builders risk program.

The coverage, offered through Arch Insurance Group Inc., is designed to provide project-specific insurance to owners and builders of new residential construction, Chevy Chase, Maryland-based Schinnerer said in a statement.

Schinnerer will serve as a program access point for retail agents and brokers, according to the statement.

The policy offers core coverage for theft of building materials and interest of subcontractors and 15 additional coverage types built in to the builders’ risk coverage form, including pollutant cleanup or removal, ordinance or law, and expediting expenses, the underwriting manager said.

Limits of up to \$5 million are available, according to the statement.

“New residential housing is a major driver of our national economy, and with single-family housing forecasted to grow 20% annually over the next several years, it is a great time to introduce a builders risk program,” said Jeff Benson, vice president and senior underwriting manager of Schinnerer’s builders risk program.

Brokers can provide quotes and issue a builders risk policy in minutes, upgrade coverage, review existing policies, and print or email policies using Schinnerer’s online broker portal, according to the statement.

The coverage is available in 23 states and will be made available nationwide over the next few months, Schinnerer said.

selves and, via analysts, with public and private stakeholders, including the U.S. Department of Homeland Security, Secret Service and the FBI, the Arlington, Virginia-based association said in a statement.

The center also will provide advanced training and education as well as research resources for retailers.

The association said the center will identify real-time threats and share intelligence to mitigate the risk of cyber

attacks; educate the retail community on leading practices for information sharing and protecting against cyber criminals; and collaborate with academia to provide research on emerging technologies and potential future threats.

“In the face of persistent cyber criminals with increasingly sophisticated methods of attack, the R-CISC is a comprehensive resource for retailers to receive and share threat information, advance leading practices and develop research relevant to fighting cyber crimes,” association President Sandy Kennedy said in the statement.

Brokers support African drought catastrophe pool

Willis Group Holdings P.L.C. has raised \$55 million to support Africa’s first catastrophe insurance pool, providing drought coverage for Africa Risk Capacity Insurance Company Ltd., Willis said in a statement.

The Hamilton, Bermuda-based mutual insurer, ARC Ltd., will be managed by Marsh L.L.C.’s captive solutions practice in Bermuda, Marsh said in a separate statement.

ARC was established to provide coverage against drought to an initial group of five African countries — Kenya, Mauritania, Mozambique, Niger and Senegal — Willis said.

The aim of the ARC catastrophe insurance pool is to reduce African governments’ reliance on external emergency aid, Marsh said. Germany and the United Kingdom contributed the initial \$200 million in capital and are founding members of the mutual.

The parametric insurance policies issued this month by ARC Ltd. will provide a total of \$135 million in drought insurance coverage tailored to the specific requirements of the insured countries in addition to Willis’ \$55 million in order to cover the risks it is taking on from the participating countries, Marsh said in its statement.

Teams from both Willis Re and Willis’ global weather risks practice helped shape ARC’s reinsurance program, the company said in its statement.

Kentucky law backs Lloyd’s surplus lines

Lloyd’s of London will be able to operate on a surplus lines basis in all 50 states when legislation passed in Kentucky goes into effect in July.

This will allow Kentucky policyholders to access the Lloyd’s market for surplus lines products, and Lloyd’s underwriters will be able to place multistate surplus lines risks in every state, Lloyd’s said in a statement.

“These trading rights are a result of Lloyd’s responding to demand from the market and, more importantly, working successfully with our underwriters and the Lloyd’s Market Association,” Vincent Vandendael, international markets director, said in the statement.

Lloyd’s is an admitted insurer in Kentucky, where it has had an office since 1937.

DEALS & MOVES

AIG sells aircraft leasing unit in \$7.6 billion deal with AerCap

American International Group Inc. has completed the sale of aircraft leasing company International Lease Finance Corp. to AerCap Holdings N.V. in a cash-and-stock deal worth about \$7.6 billion.

The transaction marks the last major move in AIG’s disposition of noncore assets, AIG said in a statement announcing the close of the transaction.

Under terms of the deal, AIG will receive \$3.0 billion in cash and 97,560,976 newly issued common shares in Amsterdam-based AerCap. Based on AerCap’s closing per share price of \$47.01 on May 13, the deal is worth about \$7.6 billion, AIG said in the statement. AIG will have an approximately 46% stake in AerCap.

“The aircraft leasing business is not core to our insurance operations, and for this reason we agreed to sell ILFC,” AIG President and CEO Robert Benmosche said in the statement. “I am confident that this sale will have a positive impact on AIG’s liquidity and credit profile, and will enable us to continue to focus on maintaining strong growth and profitability in our insurance operating businesses.”

In connection with the transaction, Mr. Benmosche and AIG Chief Financial Officer David L. Herzog and have joined AerCap’s board of directors.

USI closes purchase of 40 Wells Fargo offices

USI Insurance Services L.L.C. of Valhalla, New York, has closed on the acquisition of 40 insurance brokerage and consulting locations from Wells Fargo Insurance Services USA Inc., part of Wells Fargo & Co., USI said.

Terms of the transaction were not disclosed.

USI said in a statement that the acquisition further strengthens its presence as one of the leading middle-market insurance brokerage and consulting firms in the country, and complements the company’s suite of property/casualty, employee benefits, personal lines, retirement and specialty offerings.

“We are very excited to be welcoming to USI such a talented group of experienced insurance professionals across these 40 offices,” Michael J. Sicard, USI’s chairman, president and CEO, said in the statement. “These are cities in which USI is looking to invest, expand and grow. We welcome all of our new clients and associates across the country and look forward to growing together.”

Marsh & McLennan Agency buys Texas benefits broker

Marsh & McLennan Agency L.L.C. has acquired Texas employee benefits brokerage Visicor Inc., the agency said.

Terms of the transaction were not disclosed.


Friendswood, Texas-based Visicor, with annual revenue of \$1.5 million, is a full-service employee benefits brokerage and consulting firm that also provides compliance, communication and administration services to public and private employers throughout the state, White Plains, New York-based Marsh & McLennan Agency, a unit of Marsh L.L.C., said in a statement.

All of Visicor’s executives and employees will join Marsh & McLennan Agency’s Southwest regional office and merge into its existing Houston location, Marsh & McLennan Agency said.

CLASSIFIEDS

To place your ad, contact Monique Murray 212.210.0129 E-mail: mmurray@BusinessInsurance.com
Business Insurance, Classified Department, 685 Third Avenue, New York, NY 10017-4036
Call for details on print and internet advertising

PUBLIC NOTICES



CAREER CENTER

POST YOUR JOB OPENING

ENGAGE THE MOST QUALIFIED CANDIDATES

FIND THE EXECUTIVE YOU NEED!

POWERED BY JOBTARGET

TAKE FULL ADVANTAGE OF YOUR RESOURCES!

In Print...



and Online



For more information call Monique Murray at 212-210-0129

2014 BI Rates and Editorial Calendar

BUSINESS INSURANCE®

Call Monique Murray at 212.210.0129

REQUEST FOR PROPOSAL

GOVERNMENT OF GUAM
HUMAN RESOURCES DIVISION
DEPARTMENT OF ADMINISTRATION

REQUEST FOR PROPOSAL (RFP)
(DOA/HRD - RFP - GHI - 15-001)

FY2015 Group Health
Insurance Program

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

The RFP is available on the Department of Administration, Human Resources Division's website at www.hr.doa.guam.gov as of Wednesday, May 14, 2014, Chamorro standard time, at no charge. All questions regarding this RFP must be submitted in writing and received by the Director of the Department of Administration, as identified in the RFP, on or before 4:00 p.m., Friday, May 30, 2014, Chamorro standard time.

All hard copies and electronic files of the entire proposal must be received by the Director of the Department of Administration no later than 4:00 p.m., Tuesday, June 17, 2014, Chamorro standard time.

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

/s/

BENITA A. MANGLONA, Director
Department of Administration

Need to Publish a
Legal Notice,
Announcement or RFP

Contact Monique Murray
at 212-210-0129

MEDIA PARTNER



JOIN US IN LONDON

IIS 50th ANNUAL SEMINAR
Park Plaza Westminster Bridge Hotel • June 22 - 25, 2014

SEMINAR HOSTS

Willis

LLOYDS

PRUDENTIAL

SEMINAR SPONSORS

GOLD SILVER

RGA EY

GLOBAL

Deloitte.

CATLIN

AIG

KPMG

pwc

%BEST

REGISTER NOW!
IISonline.org/London

We invite you to the 50th anniversary of the IIS Annual Seminar in the city of London! **THE must-attend global insurance conference.**
THE IMPACT OF SCIENCE & TECHNOLOGY ON THE INDUSTRY

TOPICS

- > Life Insurance in a Time of Rapid Technological Change
- > Implications of Alternative Capital Sources in Reinsurance
- > The Digital Insurer
- > Encoding Disaster Resilience into the Financial System
- > Advances in Science and Technology: Implications for the Industry
- > Cyber Risk - Meeting the Mounting Cyber Threat
- > Harnessing the Power of Big Data
- > Regulation and Innovation: Can they coexist?
- > Top 10 Threats to the Financial Strength & Stability of Insurers

SPEAKERS

WELCOME: ALDERMAN FIONA WOOLF Lord Mayor of the City of London

- > Inga Beale Chief Executive, Lloyd's of London, UK
- > Albert Benchimol President and CEO, Axis, Bermuda
- > Dominic Casserley CEO, Willis Group, UK
- > Jozef De Mey Chairman of the Board, Ageas, Belgium
- > Evan G. Greenberg Chairman and CEO, ACE Group, USA
- > Yoshihiro Kawai Secretary General, IAIS, Switzerland
- > Denis Kessler Chairman and CEO, SCOR, France
- > Ralph Mucirino Senior Vice President, AIG & CEO, Consumer Insurance, Americas AIG PC, USA
- > Barry Stowe Chief Executive, Prudential Corporation Asia, Hong Kong
- > Vincent Vandendael Director, International Markets, Lloyd's of London, UK
- > Nikolaus von Bomhard Chairman of the Board of Management, Munich Re, Germany
- > Greig Woodring President and CEO, Reinsurance Group of America, USA

Prudential plc is not affiliated in any manner with Prudential Financial, Inc., a company whose principal place of business is in the United States of America.

Insights to Solutions

White Papers to help you do your job better everyday

SEISMIC SHIFT IN WORKERS COMP PRICING

How to rethink insurance options, risk retention to keep costs under control

GUARD AGAINST REPUTATIONAL DAMAGE

How to handle risks that can jeopardize the brand

WORKPLACE VIOLENCE

How to prevent it, what to do when it occurs

BUILDING A Digital STRATEGY

How agents and brokers can win new business in the digital age

Visit www.businessinsurance.com/whitepapers to purchase these and other white papers.

BUSINESS INSURANCE
www.businessinsurance.com

SAVE THE DATE

September 9-10, 2014
einsurancesymposium.com

Entrepreneurial Insurance Symposium 2014

Qualifies for CIC/CRM Update & CE Credit

For more information, contact Diahnn Doyen at 972.934.4264 or ddoyen@marketscout.com

USI CHIEF DISCUSSES STRATEGIES FOR GROWTH

Q What was the main impetus for the Wells Fargo purchase?

A It's really the opportunity to accelerate our singular vision of being the middle market brand of choice across the United States, particularly in four select business segments: commercial property/casualty; employee benefits; personal lines; and retirement. When we looked at Wells Fargo, they had a similar overlap focus of middle market with great cities, most of which we were not in already.

So it was certainly a geographic expansion in 40 cities, the majority of which are not an overlap to USI's current footprint, but also in great middle market cities with middle market-focused offices and in similar lines of business — commercial lines property/casualty, employee benefits and personal lines in particular.

Also, at the end of the day, we're a people business, so the people are the most important component of the transaction. What we found inside of Wells Fargo were similarly and equivalently accomplished, experienced, industry-knowledgeable insurance brokerage professionals.

Q&A

Q Do you see greater opportunities in organic growth or acquisition growth?

A I think it has to be a combination, and I think it has to first and foremost start with organic growth. I think, candidly, that a firm or insurance brokerage that only acquires and actually doesn't have an organic growth strategy doesn't have a long-term strategy for the people it's acquiring or for its business. So I think it has to be both, and for us our primary and first-and-foremost focus is on organic growth and creating an environment where people can be

uniquely successful, more than on their own or with anybody else. If we do that, I think our value proposition to candidates, either individual recruits or to potential agencies that want to become partner agencies with us, is strong.

Q What are USI's specific goals for 2014?

A First and foremost, we want to continue to grow organically, focusing first on our existing people and our existing clients and prospects. We're also going to focus on continued hiring. You will also continue to see us focus on great talent partnership acquisitions, like we think Wells Fargo will be. We would expect to continue to do acquisitions in 2014 and as we go beyond 2014 as well.

Q Is operating as a private company easier or more advantageous than as a public entity?

A I don't think one is inherently better or worse — they're different. We're private today, but USI has been public in the past, from 2001 to 2007. When USI went pri-



MIKE SICARD

USI INSURANCE SERVICES L.L.C.

Mike Sicard, chairman, president and CEO of USI Insurance Services L.L.C., took the helm of the Valhalla, New York-based commercial insurance brokerage in 2007. On May 5, he closed one of USI's largest deals: the acquisition of 40 insurance brokerage offices from Wells Fargo Insurance Services USA Inc. In a recent interview with *Business Insurance* Associate Editor Matthew Lerner, Mr. Sicard talks about USI's plans for 2014 and beyond and the challenges it faces. Edited excerpts follow.

vate in 2007, it presented an inherent advantage, as we were doing a fairly fundamental transformation of the firm. When you're undergoing a significant company transformation like that, there can be distinct advantages to being private. Today as a firm, both would be attractive alternatives for us. Going-forward, staying private is absolutely a continuing and viable alternative. Being public, however, and taking the company for-

ward with an (initial public offering) is a viable alternative.

Q Is the insurance industry fun?

A I think it's a blast. What's exciting to me about the insurance industry is that we're working every day to help businesses figure out how to succeed, so it's one of the most exciting fields where you're helping companies grow.

COMINGS & GOINGS

UP CLOSE: GIULIANA RIVERS

HOUSTON-BASED SENIOR ASSOCIATE WITH THE DEFINED CONTRIBUTIONS ADVISERS SPECIALTY PRACTICE Mercer L.L.C.

PREVIOUS POSITION: Houston-based senior account manager with Arthur J. Gallagher & Co.

LOOKING FORWARD TO: I am very passionate about my job. What I want to do is continue helping companies overcome the challenges they face when helping their employees fulfill their retirement goals.

CHALLENGES FACING INDUSTRY: The increasing fiduciary responsibilities required by the government for plan sponsors.

INDUSTRY OUTLOOK: Companies are going to need consultants like us to help guide them through the increase in regulations.

WHAT I WOULD CHANGE: I would have the federal government apply common sense to the myriad of requirements and laws they require businesses to follow. They probably mean to cause no harm for companies, but they cause nightmares for businesses. Sometimes the regulations harm employees.



FIRST INDUSTRY JOB: I was with Morgan Stanley. I thought I wanted to be a stock broker/financial adviser. Cold-calling people at the dinner hour was not my dream job.

WHAT SURPRISED ME: I thought I knew finance; I thought I knew retirement. I knew nothing. Even after 13 years, I am still learning.

ADVICE: Find yourself a good mentor to guide you through what the retirement

world is about.

OUTSIDE THE INDUSTRY, A DREAM JOB: I would love to be an archaeologist. Coming from Peru, archaeology was right there in my backyard. People would find 500-year-old money.

HOBBIES: I love to dance — being Latin, of course, that's in our blood — scuba diving, hiking and anything that keeps me active.

BEST CITY: Quebec in Canada. It's the loveliest vacation I ever had with my husband.

Professional Moves & Promotions

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

BROKERS

Ames & Gough	Charlie Vonderheid
Atlas General Insurance Services L.L.C.	Rod Taylor
Crystal & Company	Lou Roca
Integro Ltd.	Susan Thomas
National Brokerage	J. Craig Collins
Willis Group Holdings P.L.C.	Jeroen Everling

INSURERS

Ascot Underwriting Ltd.	David Fitzpatrick
Aspen US Insurance	Roxanne Mitchell
Aspen US Insurance,	Gary Windsor
Zurich North America	Peter Hahn

REINSURANCE

Hamilton Re	Kathleen Reardon
Q-Re L.L.C.	Andrew Deighton
Q-Re L.L.C.	Michael Roth
Q-Re L.L.C.	Marc Tueller
Q-Re L.L.C.	Karl Schneider

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

CATASTROPHES

Continued from page 1

substantially from 2013.

“When you look at this year’s tornado count, we’re way below average,” said Scott Stransky, manager and principal scientist at Boston-based catastrophe modeling firm AIR Worldwide (see box, page 1). “So it’s a very slow season in terms of actual counts.”

Only recently have there been any major insured losses, according to Aon Benfield’s Impact Forecasting.

“Following a quiet start to the 2014 severe weather season in the United States, the month of April marked multiple events that combined to cause billions of dollars in damage,” Impact Forecasting said in a report. Insured losses from the tornadoes and flooding that affected 20 states “will be at least in the hundreds of millions (of dollars), and possibly higher.”

Combined with abundant capacity, however, the general lack of severe events has market players looking at a soft market for June 1

reinsurance renewals.

“It’s definitely buyer’s market,” said Phil Campbell, executive vice president at Edina, Minnesota-based reinsurance broker BMS Intermediaries Inc. “It’s been a pretty quiet beginning to the storm season.”

Mr. Campbell said he expects the June 1 reinsurance renewals to yield rates that are down 10% to 20% on a risk-adjusted basis, “with most people falling in the smaller double-digits and maybe mid-teens” in percentage declines expected.

“Overall, the Florida renewals market is looking at price declines of up to 20%,” Bill Fischer, chief underwriting officer at Bermuda-based Axis Re, said in an email.

“In many ways, it’s the old law of supply and demand at work. We are simply seeing a notable increase of capacity coming into the market from a variety of capital types, including cat bonds, that collectively are driving prices down. Interestingly, when it comes to cat bonds, the market has also evolved to the point where many smaller companies are now issuing them given their attractive pricing and flexibility,” Mr. Fischer said.

“What we’re looking at is an abundance of capacity for clients, and it’s obviously a buyer’s market for reinsurance cover,” said Bryon Ehrhart, CEO of Aon Benfield Americas. “You’ve got alternative capital from hedge funds; got alternative capital from pensions and high-net worth individuals; and record traditional capital from traditional reinsurers,” he said.

Growth in the insurance-linked securities market is likely to result in a record year in issuance value,

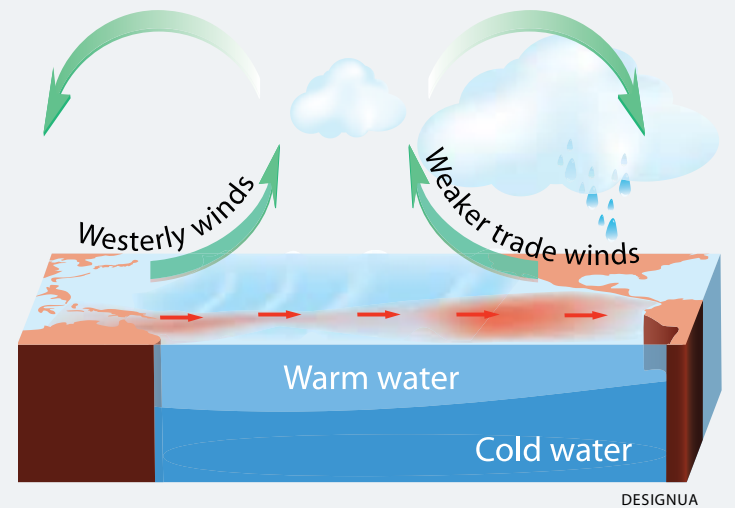
Forecasters see near-normal to below-normal Atlantic hurricane season

The 2014 U.S. Atlantic hurricane season looks to be near normal or below normal, the Climate Prediction Center of the National Oceanic and Atmospheric Administration said last week.

The outlook calls for a 50% chance of a below-normal season, a 40% chance of a near-normal season and just a 10% chance of an above-normal season.

“Based on the current and expected conditions, combined with model forecasts, we estimate a 70% probability for each of the following ranges of activity during 2014: eight to 13 named storms; three to six hurricanes; one to two major hurricanes; and accumulated cyclone energy range of 40% to 100% of the median,” the center said in its outlook.

Although the outlook said an El Niño weather pattern, in which Pacific waters are warmer than normal and affect weather in a variety of ways,



An El Niño weather pattern, shown above, is expected to develop this year. Exactly when and how strong it may be are not yet known.

is expected to develop this year, exactly when and how strong it may be are not yet known.

In April, the Tropical Meteorology Project at Colorado State University forecast a below-average 2014 Atlantic hurricane season, with nine named storms forecast for the period of

June 1 through Nov. 30.

Last week, NOAA also forecast a near-normal or above-normal eastern Pacific hurricane season and a near-normal or above-normal central Pacific Hurricane season, which also run through November.

By Matthew Lerner



HEAR INTERVIEW

Access *Business Insurance's* interactive digital edition to hear Associate Editor Matthew Lerner talk with Megan Linkin, natural hazards expert at Swiss Re America, who says the tornado season has had its slowest start in about 60 years.

and is producing some of the lowest pricing and margin per unit of risk transfer since Hurricane Andrew in 1992, Mr. Ehrhart said.

Overall, first-quarter 2014 insured U.S. catastrophe losses totaled \$2.75 billion, said Thomas Holzheu, Armonk, New York-based head of economic research

and consulting for North America at Swiss Re America Holding Corp., which is virtually flat compared with the first quarter of 2013. “In terms of the numbers, it was a totally normal season.”

That, however, could change.

“I would really just drive the point home that a quiet start to

2014 does not ensure a quiet end to 2014,” said Megan Linkin, Armonk, New York-based natural hazards expert at Swiss Re America. “So everybody from insurers to reinsurers to governments should be prepared for hurricane season and have an emergency plan in place.”

VELOCITY

Continued from page 3

and valuation at Aon Global Risk Consulting.

Whether it is done quantitatively or conceptually, assessing the velocity of a risk typically provides a more comprehensive sense of its potential threat, experts say. Consequently, risk managers can better align their prevention, mitigation and response strategies with the true nature of a risk, as well as more appropriately prioritize their allocation time and resources to the most pressing risk management needs.

“Risks that present themselves over a very short time frame require a fundamentally different type of mitigation, and indeed risk management strategy, than those that manifest themselves over a much longer period of time,” said Matt Shinkman, an Arlington-based senior director at CEB.

For example, a regulatory enforcement action for violating the Foreign Corrupt Practices Act and a global economic downturn likely would generate similar risk scores if assessed only for their probability of occurrence and pro-

jected impact. Mapped according to the traditional two-dimensional model, the two risks would appear to pose essentially the same amount of danger to a company.

By adding their respective velocities into the risk mapping formula, experts say risk managers likely would find that the FCPA violation is a far more immediate threat than the prospect of an economic downturn, simply because the time a company would have to mitigate the consequences of the regulatory action is far shorter than the time it would take to respond to an economic downturn.

John Sibson, vice president of

strategy at Milwaukee-based Johnson Controls Inc., said the auto parts manufacturing firm began factoring velocity into the assessment and mitigation planning components of its ERM program in 2011, primarily to support a renewed senior executive focus on improving business continuity planning following a string of natural catastrophes that wreaked havoc on supply chains worldwide.

“We decided that it was important for us to develop a metric that shows us how fast some of these risks can pop up and impact our business, and add that into our

risk assessment equation,” Mr. Sibson said.

Implementing the speed of risk as an assessment metric in its ERM program — in which risks are determined to be low-, medium- or high-velocity based on how long it would take an occurrence to affect the company — has dramatically affected Johnson Controls’ prioritization of mitigation and response strategies for geopolitical unrest and business continuity, as well as product liability, data breaches and other high-velocity risks, Mr. Sibson said.

“It’s brought to the forefront a few of the risks that, back when we started the ERM program in 2008, weren’t showing up among our company’s top risks,” Mr. Sibson said.

Similarly, the prospect of incorporating risk velocity into a broader analysis and mitigation strategy recently attracted the attention of Eamonn Cunningham, chief risk officer at Sydney-based shopping mall development and management firm Westfield Group.

“Our approach to assessing and mitigating risk needed to pay some regard to how quickly risk moves,” Mr. Cunningham said.

Rather than develop a quantitative scale to measure every risk

the company might encounter, Mr. Cunningham said he’s applied the concept of risk velocity in a much more informal manner, and generally reserved its use for risks that he and his staff determine would ultimately benefit the company.

“You need to be as judicious and pragmatic as you can in your application of this concept,” Mr. Cunningham said. “Otherwise, you run the risk of adding a layer of complexity where it isn’t really warranted and there isn’t any benefit to be gained.”



How fast a risk will affect an organization and scoring that risk as part of an enterprise risk management program

Onset (inherent) velocity:

Measures the time between the first indication of a risk and the risk event occurring.

Impact (control) velocity: The most common application of the idea;

measures the time a company has to react before an event materially affects finances, operations, reputation, etc.

Recovery (residual) velocity: Less commonly used; measures the time from an event occurring to when a company expects to recover from a particular risk event.

Scoring: Risk velocity is most commonly scored by assigning numerical values to a set of specified time intervals; aggregate scores may be used when analyzing multiple velocities.

ADVERTISER

INDEX

Issue of May 26

ADVERTISER	PAGE #
Berkshire Hathaway	2
Burns & Wilcox	11
Business Insurance	9,13,19,31
Catlin	15
Cozen O'Connor	17
Discovery Benefits	18
Institutes	16
Liberty Mutual	32
LUBA	19A
Philadelphia Insurance	5
QBE	7

For companies, cyber risk management has evolved past being 'an IT problem only'

Homeland security strategist advocates an ERM approach

BY RODD ZOLKOS

WASHINGTON — Given the wide variety of ways cyber exposures can hit an organization and the complexity of successfully addressing them, an enterprise risk management approach is essential to cyber risk management, according to several experts.

"For many companies, the business case for investing against cyber risk still has not been made," apparently because cyber risk has not been put into terms corporate leaders can understand, said Tom Finan, senior cyber security strategist and counsel in the U.S. Department of Homeland Security.

"I do think an answer is an (enterprise risk management) process that starts to educate both sides," said Mr. Finan.

"Boards of directors are treating cyber risk as an IT problem only," he said. "But if you're going to have an ERM program, which many companies do, it's not an ERM program if you're excluding a major business risk."

"A company needs to establish leadership from the top" when addressing cyber risks, said Larry Clinton, president and CEO of the Arlington, Virginia-based Internet Security Alliance. "You need to develop an enterprise risk management approach."

Mr. Clinton noted that with cyber attacks being cheap to execute and defense against them expensive, "the economics of cyber security favor the bad guys."

Meanwhile, business processes such as lengthy supply chains, bring-your-own-device policies and cloud computing undermine security and increase the risk, he said.

"The Internet of things" also increases the exposure, Mr. Clinton said. "Everything is now connected to the Internet, so every-

thing is vulnerable to cyber attack."

Mr. Finan, Mr. Clinton and others offered their views last week during the inaugural *Business Insurance* Cyber Risk Summit in Washington.

Sandor Boyson, co-director of the Supply Chain Management Center and a research professor in the Robert H. Smith School of Business at the University of Maryland, said accelerated globalization increases cyber risk exposures along companies' supply chains. "Cyber supply chain risk management is an emerging discipline" in response to that, he said.

Jim Halpert, a partner at the DLA Piper

"A company needs to establish leadership from the top" when addressing cyber risks.

Larry Clinton, Internet Security Alliance

law firm in Washington, said it's important that boards get involved in companies' cyber risk management efforts, seeking reports from senior management on risks, actual cyber attacks and the companies' risk management plans, as well as whether the company is properly managing cyber exposures.

"This is not an IT issue," Mr. Halpert said, adding that boards must focus on addressing cyber risks enterprisewide.

And Mr. Halpert stressed the importance of training employees on cyber risks and how to minimize exposures.

Jon Iadonisi, co-founder and CEO of White Canvas Group in Arlington, Virginia also

emphasized the value of training in the cyber risk management effort. "When people learn to drive, you reduce the risks of accidents through training," he said.

Vendor management is another important element of cyber risk management, said Mr. Halpert.

Tom Kellermann, Irving, Texas-based chief cyber security officer at Trend Micro Inc., noted, for example, that mobile application developers rarely vet their apps for security. "So there is your gaping hole," he said.

It's important to hire the right people to test the security of those apps, said Mr. Halpert. "You don't want to have the wrong company test your mobile apps," he said, adding that addressing the cyber issues resulting from poorly tested apps could be far more costly than paying for the right company to test the app to begin with.

Mr. Clinton said that while some worry about the threat of cyber terrorism and there are some "troubling scenarios" of potential cyber-based terrorist attacks, national security analysis suggests those sorts of attacks are unlikely, so concern of a major cyber terrorism event "is a misguided notion."

"The terrorism model is not the appropriate model for us to analyze cyber security, and the more we use the terrorism model the less effective it's going to be," he said. "Instead we need to look at the modern cyber threat."

That threat, Mr. Clinton said, is attacks launched by criminals rather than terrorists. Ninety-five percent of these attacks are financially motivated, he said.

Judy Greenwald contributed to this report.

practices eventually should benefit from lower insurance rates. However, the business case to invest in ways to control cyber risks has not been made, he said.

Top management often treats cyber risks as an "IT problem," which he said appears to be the result of potential costs and reputational damage not being reduced to terms that nontechnical businesspeople can understand.

Thomas M. MacLellan, director of the Homeland Security and Public Safety Division of the National Governors Association, said the Washington-based group has recommended five ways to address cyber security issues to establish a "culture of risk awareness": establish a framework on the subject; conduct risk assessments and allocate resources accordingly; implement continuous monitoring; ensure that states have a security methodology; and focus on the "weakest point," meaning people.

Gene Fishel, senior assistant attorney general and chief of the computer crime section of the Virginia Attorney General's Office, said data breaches occur almost daily, three-quarters of them involving small businesses.

"Our first goal as an enforcement authority is to make sure that if a company or organization has suffered a data breach, that the consumers or people impacted are notified as quickly as possible," Mr. Fishel said.

Aaron R. Lancaster, counsel at law firm Dickstein Shapiro L.L.P. in Washington, cited a federal judge's April ruling allowing the Federal Trade Commission to sue Wyndham Worldwide Corp. for allegedly failing to adequately protect personal information of the hotel chain's customers.

"Most states have broad consumer protection statutes that are modeled after the FTC," with the "same ability to enforce unfair and deceptive trade practices that the FTC has," Mr. Lancaster said.

CHINA

Continued from page 3

division of Willis Re, part of Willis Group Holdings P.L.C. "Previous rules required a gradual buildup from a specified city or province licenses, but they can now acquire a nationwide license via acquisition."

The new rules were inspired partially by a desire to enable smaller insurers to merge more easily and reduce fragmentation in a market dominated by several large players with numerous smaller, often weak companies (see story, right) said Michael Cripps, a partner in the China corporate group at law firm Clyde & Co. L.L.P. in Shanghai.

The rules are among a series of steps by CIRC to open the marketplace, he said. For example, the regulator in 2012 allowed insurers with foreign investors to enter the third-party auto marketplace.

The new rules likely will give outside insurers a swifter route into the Chinese market through

DOMESTIC INSURERS GROW

China's gross domestic product, which was \$8 trillion in 2012, is predicted to grow to more than \$15 trillion by 2017, according to a Lloyd's of London analysis of International Monetary Fund data.

The 10 largest insurers in China in 2013 accounted for more than 80% of the nonlife and life markets.

Outside insurers held 4.3% of the China market in 2012, down from 8.9% in 2005, according to the China Insur-

ance Regulatory Commission.

In 2013, outside insurers had about 1.3% of the nation's non-life insurance market, according to Fitch Ratings Ltd.

In this year's first quarter, property insurance premiums totaled 175.7 billion yuan (\$28.08 billion), according to CIRC.

Sixty-two insurers operated in the nonlife market as of year-end 2012, 41 of them local and 21 foreign.

By Sarah Veysey

mergers and acquisitions, although there is likely to be little immediate change in the overall number of insurers licensed by the regulator.

"We do expect to see more M&A activity" as a result of the changes, said Carrie Yang, a partner in the corporate, insurance and reinsur-

ance team at Clyde & Co.

Outside insurers may be able to build nationwide networks more quickly by purchasing domestic companies or taking a stake in domestic companies, Ms. Yang said.

Philip Chan, Hong-Kong-based manager for the greater China

region of XL Group Ltd., said the rules will give foreign insurers a route into the China market.

"However, insurers must give due consideration to controls, the cost justification of the equity invested, performance and the impact on their own brand," he said.

"Nondomestic insurers in China are actively targeting and developing (auto accident and health) business," Mr. Chan said. "Longer term, liability business will gradually grow. The pace of growth will depend on the development of laws and regulations and the enforcement system."

"In China, setting up a nationwide distribution network can be time-consuming as well as costly," said Vivian Cheung, a senior financial analyst at A.M. Best Asia-Pacific Ltd. in Hong Kong. "Stronger players, in terms of financial strength, may look to acquire insurers that are less financially sound, yet (have) some built-in product distribution advantages that they lack."

This will particularly favor out-

side players, "as many of them lack a nationwide distribution network like the large domestic players have," she said. Smaller domestic players also could "beef up their business profile."

The rules may result in new international companies investing in the market, said a spokeswoman for Marsh L.L.C. in Beijing. Outside insurers that already have a presence in China can "expand their footprint," she said.

"This should facilitate faster growth of foreign insurers' market share in China," said Willis Re's Mr. Williams. Particularly in lines where global insurers can use sophisticated pricing tools, analysis and marketing techniques, there are "huge opportunities" for overseas companies to gain a greater foothold in the market, he said.

"Greater economies of scale and wider risk spreading are the key incentives for foreign insurers to take part in M&A deals," Fitch Ratings Ltd. in Hong Kong said in an analysis of the revised rules in China.

ASBESTOS

Continued from page 4

legislation is based on the false assertion that there is endemic fraud in the asbestos trust system.”

Supporters of the Flake bill and its House counterpart, including insurance groups, hold that greater transparency is necessary to prevent claimants from receiving restitution from multiple trust funds for the same injury.

“It’s an important first step to get a bill introduced in the Senate,” said Melissa Shelk, vice president of federal affairs at the American Insurance Association in Washington. Ms. Shelk noted that although the House has approved trust fund transparency bills twice, the Flake bill is the first to be introduced in the Senate.

She said the Senate usually prefers to move its own bills. “They don’t often take up House bills,” said Ms. Shelk.

She said claimants who are not ill are receiving payments from the trust funds, and “some of the trust funds are starting to run out of money.”

The Flake bill will bring transparency to the process, she said. “From our viewpoint, the trusts are there for the people who are truly ill, and because there is no transparency, some people are filing with the trust funds and then

filing lawsuits.”

“Bankruptcy trusts are a black box, and we’re just trying to bring some transparency to it,” she said.

“We see it as common-sense bipartisan legislation. We think it would be a valuable resource in combating fraud,” said Jon Bergner, federal affairs director in the National Association of Mutual Insurance Companies’ Washington office.

“From our viewpoint, the trusts are there for the people who are truly ill, and because there is no transparency, some people are filing with the trust funds and then filing lawsuits.”

Melissa Shelk,
American Insurance Association

Mr. Bergner said NAMIC had been “very pleased” when the House passed its bill last year.

“We see the Senate as potentially a much more uphill climb, so we were very pleased that Sen. Flake has taken up the mantle. We think it’s a great step forward,” he said.

“PCI supports this common-sense legislation,” said Nat Wiencke, senior vice president of federal government relations in the Property Casualty Insurers Asso-

ciation of America’s Washington office in an email.

“As we said when the House passed The FACT Act of 2013, legislation is needed to ensure that trust funds established to resolve asbestos claims are free from waste, fraud and abuse,” Mr. Wiencke said. “By implementing a transparent system that provides the courts with the information they need to properly adjudicate asbestos litigation, we can preserve trust fund assets for legitimate asbestos victims and protect still-solvent tort defendants, many of whom were only peripherally involved in the asbestos business, from being driven into bankruptcy by asbestos claims that are being resolved, in whole or in part, by the existing asbestos trusts.”

However, the Washington-based American Association for Justice, which represents plaintiff attorneys, made its opposition to the measure clear in a statement emailed to *Business Insurance*.

“It is offensive that the same corporations that hid the dangers of asbestos for decades and caused the deaths of hundreds of thousands of Americans — including thousands of veterans — are now trying to evade accountability,” association President Burton LeBlanc said in the statement. “This bill would violate victims’ privacy and waste limited trust assets by placing unnecessary burdens on the trusts.”

COSTS

Continued from page 4

spouse exclusion policy and 12% had a surcharge for spouse and family enrollment, according to a Mercer survey of more than 700 employers. The trend is likely to continue, Ms. Watts said, as 27% of employers are considering some type of spousal exclusion or surcharge in 2015.

Another way employers hope to lower costs is promoting healthy living through wellness programs, experts said during the WorldatWork 2014 Total Rewards Conference in Dallas.

According to Mercer’s survey, 35% of employers have already implemented a wellness program and 47% are considering doing so.

Home Depot’s approach

The Home Depot Inc. and Caris Life Sciences Ltd. are among employers that already offer wellness programs — from health risk assessments, fitness challenges and lifestyle coaching to disease management and smoking-cessation programs, their representatives said during the conference.

Home Depot began offering health risk assessments to employees in 2008, said Lesley Leiserson, the retailer’s Atlanta-based director of benefits planning, design and communications.

Its wellness initiative has expanded since then to spouses, and includes a tobacco-free incentive of \$10 per biweekly paycheck, an annual health challenge, designated wellness champions and screenings for hidden health risks.

Ms. Leiserson said Home Depot works with Quest Diagnostics Inc. to screen employees and their spouses for “metabolic syndrome,” which occurs when an individual has high blood pressure, high triglycerides, low HDL cholesterol, high glucose levels and excess body fat around the waist.

People who have metabolic syndrome cost \$5,732 in medical care each year, whereas those without the syndrome cost \$3,581, according to an independent 2009 study, “Health Care Utilization and Costs by Metabolic Syndrome Risk,” said Wendi Mader, senior manager of product development for Quest.

Home Depot is considering moving to an outcomes-based approach of rewarding employees for being in good health, improving their health over time or completing healthy activities, Ms. Leiserson said. The challenge is that people may not participate if they think they won’t get the results they want, she said.

Caris also is hesitant to transform its successful wellness program into a results-based model, said Angela Martinez, human resources manager at the Irving, Texas, biosciences company.

Some employees have said,

“You’re trying to track how much weight I gain,” Ms. Martinez said. They’re concerned that unhealthy behavior could increase their health insurance costs. “It’s just like with car insurance. If you have multiple accidents, the rates go up,” she said.

According to the Mercer study, 20% of employers have moved to outcomes-based incentives. But Ms. Watts said it takes at least three years to make the shift. Employers need to ease workers into the idea by offering a health risk assessment and a biometric screening and providing education about outcomes, she said.

Some question wellness programs’ return on investment, especially when it takes two to five years to see significant improvement, according to a recent survey by Buck Consultants L.L.C.

However, other conference speakers said the real payback is immediate in terms of increased productivity and engagement among workers.

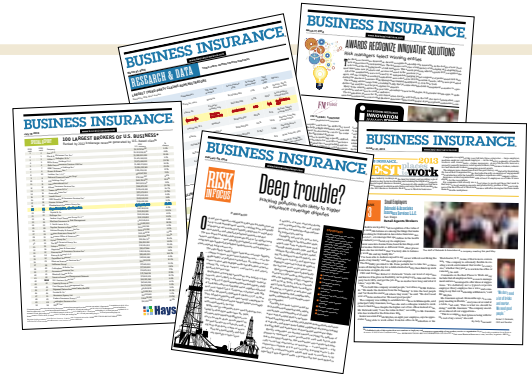
“It’s very hard to make a business case around investing in wellness and health improvement looking at short-term health care costs as the single goal,” said Integrated Benefits Institute President Thomas Parry.

Employers should pay attention to the broader outcomes of having a health-focused culture, “things like absence from work, disability, performance at work and ... productivity,” Mr. Parry said.

RESOURCE CENTER

Promote. Why not?

Let the Custom Reprint Department help you promote your great press.



Hard Copy Reprints • Eprints • Plaques/Frames • Logo Licenses

Contact: Lauren Melesio, Reprint Sales Manager
lmelesio@crain.com • tel 212.210.0707

BUSINESS INSURANCE
MARKETPLACE.com

MAXIMIZE YOUR EXPOSURE

With more than 160,000+ registered users to the website, *Business Insurance's* MARKETPLACE section allows you to list your products and services in an easy to search format, that can help influential executives easily find the information they need before they buy.

www.businessinsurancemarketplace.com

Call Today!

212-210-0129

and find out how affordable a Marketplace listing can be!

BUSINESS INSURANCE
www.businessinsurance.com



AP PHOTO

Players including former Chicago Bears Keith Van Horne and Jim McMahon filed suit last week in seeking compensatory and punitive damages for what they allege was decades of inappropriate prescribing of painkillers by NFL team doctors.

NFL

Continued from page 1

status for hundreds of former players, who also seek medical monitoring as a result of the “cocktailing” of drugs they allege left them with long-term health problems.

Sports law experts say the NFL likely will defend itself by arguing that players assumed the risk of deciding whether to take opioids such as Vicodin, Percocet and other medications used to lessen their pain following injuries.

Additionally, experts say the NFL could argue that tort claims related to prescription drugs should be handled under collective bargaining agreements, which include

workers compensation rules, between the league and players.

“Nevertheless, some of the named plaintiffs ... played at least part of their careers during a point in time in which the players were not unionized, making the pre-emption argument a challenging one for the NFL,” said Marc Edelman, a law professor at the Zicklin School of Business at Baruch College in New York.

Similar to last year’s NFL massive concussion suit that still is in the process of being settled, the NFL likely will need to decide whether to settle the latest suit to avoid a messy public battle with players in ill health, experts say.

“The NFL clearly is a challenging place to work right now, and they’re going to have to assess the value to them of another fight,”

said Michael Gilleran, executive director of the Institute of Sports Law and Ethics at Santa Clara University in Santa Clara, California.

“One could argue the fact that the NFL has proposed a settlement to the concussion litigation would indicate a somewhat greater likelihood that the NFL would settle this litigation as well,” Mr. Edelman said.

Dr. Matthew J. Matava, president of the NFL Physicians Society, said he is “surprised” by the prescription drug lawsuit.

“As an NFL team doctor for the past 14 years, I have seen firsthand the outstanding medical care that team doctors provide to players on and off the field,” Dr. Matava said in a statement provided to *Business Insurance* by the NFL. “I will leave it to others to respond to the specific allegations of the lawsuit, but as doctors we put our players first.”

The NFL did not comment on how it insures risks such as the prescription and concussion lawsuits. The NFL uses Marsh L.L.C. as one of its insurance brokers.

Neither plaintiffs attorneys nor the NFL Players Association, the union representing NFL players, responded to requests for comment.

Plaintiffs who played in the NFL between 1969 and 2008 say they were routinely provided with opioids such as Vicodin, sleep aids such as Ambien, injections of the nonsteroidal anti-inflammatory drug Toradol, corticosteroids such as Prednisone and other drugs.

In turn, the players allege “cocktailing” such medications for a long period of time left them with long-term health problems such as kidney failure, drug addiction and ongoing pain caused by playing an increasingly busy NFL football schedule while using medications to mask injuries.

“Rather than allowing players the opportunity to rest and heal, the NFL has illegally and unethically substituted pain medica-

tions for proper health care to keep the NFL’s tsunami of dollars flowing,” according to the suit. Mr. Van Horne “played an entire season on a broken leg,” according to the suit. “He was not told about the broken leg for five years, during which time he was fed a constant diet of pills.”

Some NFL players have received California workers comp benefits for health problems they suffered from taking medications, said Michael Pang, managing partner of the sports law practice group at Adelson, Testan, Brundo, Novell & Jimenez in Santa Ana, California.

There have been “cases where they’ve blamed prescription medications for liver and kidney function loss, and the doctors agreed in that particular situation that the medications contributed to that person’s condition,” Mr. Pang said. But he also said it’s often difficult for players to prove causation for such claims.

The prescription drug suit follows last year’s suit against the NFL by more than 4,500 former players who allege long-term health damage from concussions they suffered on the field. The NFL and players are still working on a proposed \$765 million settlement, which a federal judge said is too little to properly cover player health claims.

Sources say the concussion suit likely inspired more players to sue the NFL for their health problems.

Players also could be seeking to be compensated for their injuries after California passed a bill last year limiting workers comp benefits for out-of-state professional athletes, said Zachary Sacks, managing partner of Culver City, California-based law firm Sacks & Zolonz L.L.P.

“My hunch is as (workers comp) has been contracted somewhat in California ... then other avenues are being sought and investigated to compensate these players for workplace injuries,” he said.

COCA-COLA

Continued from page 1

largest beverage company with nearly \$47 billion in 2013 revenue, first put forward the idea in 2008.

In its request to the Department of Labor for regulatory approval, Coca-Cola proposed using assets in a voluntary employees’ beneficiary association, a trust it established in 2006 with \$216 million in assets, to purchase stop-loss coverage from Prudential Insurance Co. of America.

The stop-loss insurance would cover claims for about 4,000 retirees and dependents between an attachment point of \$100 and an upper limit of \$5,800 for retirees younger than 65 and \$3,500 for retirees 65 and older.

In turn, Prudential would reinsure the risk with Red Re Inc., Coca-Cola’s South Carolina-based captive.

The arrangement cleared its first hurdle in 2010, when the Labor Department approved the proposal. The federal agency requires employers that want to fund employee benefit risks through their captive insurers to meet conditions, such as enhancing participants’ benefits and using a highly rated commercial insurer to issue policies.

However, before putting the program in place, Coca-Cola sought a private letter ruling from the IRS on the tax issues. Years passed and, without explanation, the IRS earlier this month went further by issuing Revenue Ruling 2014-15, which other employers can cite when seeking regulatory clearance for their captive benefits funding arrangements (see related story, right).

“The Coca-Cola Co. is thoughtful when it comes to tax matters, so we asked the IRS to confirm our understanding of the law in this area. The company decided that the most prudent course was to request an official ruling from the IRS,” Coca-Cola said in a statement reacting to the IRS ruling.

By resolving tax issues, observers say the ruling clears the way for other employers to utilize their captives to fund retiree health benefits.

“The IRS revenue ruling appears to provide clarity and support for plan sponsors interested in using their captive insurance company for financing retiree medical” coverage, Prudential said in a statement.

“Whether a captive is an insurance company for purposes of U.S. tax determines if the transaction is insurance or self-insurance,” Mr. Cole said. “If it is insurance, the captive would establish reserves

IRS RULING SETS CAPTIVE FUNDING PRECEDENT

In Revenue Ruling 2014-15, the IRS lays out a scenario similar to The Coca-Cola Co.’s in which an employer’s voluntary employees’ beneficiary association pays retirees’ medical claims and is reimbursed by stop-loss coverage purchased from an insurer.

The stop-loss insurer pays a premium to the employer’s captive, which reimburses the insurer for all liabilities it assumed under its contract with the VEBA.

In the ruling, the IRS cited a 73-year-old Supreme Court decision. In *Guy Helvering v. Edyth Le Gierse*, the U.S. high court said for an arrangement

to be considered insurance for federal income taxes, both risk shifting and risk distribution must be present.

In the arrangement described in the recent revenue ruling, the IRS said the risks being indemnified are those of the retirees and dependents incurring medical expenses.

When the contract between the VEBA and the stop-loss insurer goes into effect, the employer and the VEBA have the right to cancel coverage.

“Consequently, the risks that are shifted in the situation above are those of the retirees and their dependents and not the risks of the VEBA” or the

employer, the IRS said. Those risks are reinsured by the captive under its contract with the stop-loss insurer, with the risks distributed among a large group of individuals.

As a result, the risks under that contract are “insurance risks” and the contract “constitutes insurance for federal income tax purposes,” the IRS ruled.

In addition, because the contract is more than 50% of the captive’s business, the captive qualifies as an insurance company, the IRS said in referring to a section of the Tax Code that lays out the 50% test.

By Jerry Geisel

for its anticipated claim payments, which would be tax-deductible.”

Karin Landry, a managing partner at Spring Consulting Group L.L.P. in Boston, described the ruling as “exciting news.”

“Companies can set aside money to fund a liability, like retiree medical, and can do so in a most cost-efficient manner because they are using their own captive insurance vehicle. I’m excited by it,” Ms. Landry said.

“The ruling makes clear that captives writing a single policy still can be considered an insurance company as long as that policy covers employee benefit risks,” said Nancy Gerrie, a partner at McDermott, Will & Emery L.L.P. in Chicago.

While not anticipating a surge of activity due to the ruling because of the time and expense of working out captive benefit funding arrangements, benefit experts say

the ruling will boost employer interest.

The ruling provides “greater clarity” to this approach, said Terry Richardson, a principal at PricewaterhouseCoopers L.L.P. in Dallas.

“There continues to be a lot of experimentation, and the guidance has kept up with that,” said George O’Donnell, technical director of global risk consulting at Aon Risk Solutions in Somerset, New Jersey.

Aspen CEO plots independent future after rejecting Endurance bid

■ Hostile takeover target Aspen Insurance Holdings Ltd. is healthy, growing and well-positioned to continue as an independent insurer and reinsurer rather than accept a \$3.2 billion offer from rival Endurance Specialty Holdings Ltd., said Aspen CEO Chris O’Kane in an interview with *Business Insurance*. Mr. O’Kane has spent the past two weeks with analysts and investors discussing Aspen’s prospects as an independent company in the wake of Endurance’s bid. Aspen rejected the Endurance offer of \$47.50 per share last month. Growth in its U.S. insurance business and development of its capital markets unit will help move Hamilton, Bermuda-based Aspen forward, said Mr. O’Kane. Aspen has spent about \$150 million over the past four years building its U.S. insurance franchise, he said, and is now poised to reap the benefits of that investment. Aspen also is restructuring its ceded reinsurance and retrocessional reinsurance programs, which will result in a \$25 million profit improvement for 2014, Mr. O’Kane said. In previous statements, Endurance had argued that the combination of the Bermuda-based companies would create a market leader with bigger scale and a diversified business platform. Mr. O’Kane disagreed with that claim. “Bigger might be better, but in what way?” said Mr. Kane. “You can be bigger by being taller, by being more muscular, or you can be bigger by being fat and flabby, and not many people want to achieve scale by being fat and flabby. That’s what I think Endurance offers us. It’s the wrong way to be bigger.”

Arthur J. Gallagher to buy Canadian broker Noraxis for \$388M

■ Arthur J. Gallagher & Co. has signed an agreement to acquire 87% of Toronto-based broker Noraxis Capital Corp. for around \$388 million. The transaction is expected to close in July, subject to regulatory approval, Gallagher said in a statement. Noraxis provides retail commercial, personal and employee benefits insurance products and services and generated nearly 125 million Canadian dollars (\$117.7 million) in revenue for the year ended Dec. 31, 2013. It has more than 650 employees and operates out of 23 offices across Alberta, Manitoba, New Brunswick, Nova Scotia and Ontario, Gallagher said. “By adding Canada to our recent expansion in Australia, New Zealand and the U.K., we are now well positioned in those countries to replicate our successful acquisition strategy of partnering with smaller, family-owned, and

entrepreneurial agents and brokers,” Gallagher Chairman, President and CEO J. Patrick Gallagher Jr. in the statement. The other 13% of Noraxis will continue to be owned by Noraxis management employees, Gallagher said.

PBGC takes over pensions at Brooklyn medical center

■ The Pension Benefit Guaranty Corp. is taking over and terminating two underfunded pension plans sponsored by Interfaith Medical Center, which operates a 287-bed hospital and eight clinics in Brooklyn, New York. The PBGC said it acted because Interfaith Medical, which filed for Chapter 11 bankruptcy in 2012, is unable to meet the minimum funding requirements for the two plans. The plans, which have more than 1,400 active and retired participants, are 64% funded, with \$108 million in assets and \$176 million in liabilities. The PBGC said it expects to cover \$60 million of the \$68 million funding shortfall.

NOAA sees near- or below-normal Atlantic hurricane season in 2014

■ The Atlantic hurricane season, which begins June 1, will be near or below normal for 2014, the National Oceanic and Atmospheric Administration said. The agency’s Climate Prediction Center calls for a 50% chance of a below-normal season, a 40% chance of a near-normal season, and only a 10% chance of an above-normal season, the center said in a statement. For the six-month season lasting through November, NOAA predicts a 70% likelihood of eight to 13 named storms, which have sustained winds of 39 mph or higher, three to six of which could become hurricanes with winds of 74 mph or higher, including one to two major hurricanes of Category 3, 4 or 5 and winds of 111 mph or higher. This compares with the 1981-2010 seasonal average of 12 names storms, six hurricanes and three major hurricanes, the center said.

Cost of family coverage to rise 5.4% in 2014

■ The cost of family health care coverage provided by an employer will increase by 5.4% in 2014, the slowest rate of growth in more than a decade, according to Milliman Inc. The “Milliman Medical Index” report projects coverage for a typical family of four under an employer-sponsored preferred provider plan will cost \$23,215 on average, an increase of \$1,185 over the aver-

age cost of coverage in 2013. The year-over-year growth in health care costs from 2013 to 2014 is the lowest since 2002, the year Milliman began tracking the annual rate of cost increases for employer-sponsored health insurance plans. Milliman’s report also examined the extent to which employers have shifted a greater portion of the total coverage costs onto employees during the past few years. From 2010 to 2014, employees’ share of total health care costs rose from 40.6% to 41.8% on average, the report said.

Blackshades members charged with computer hacking

■ Federal prosecutors have charged a group of hackers believed to be behind a popular malware program that enabled its users to activate web cameras on and steal files and account information from personal computers. Known as Blackshades, the organization has sold the malware to thousands of people in more than 100 countries since 2010, prosecutors said. “Blackshades’ flagship product was a sophisticated program known as the Remote Access Tool, or ‘RAT’ for short,” Preet Bharara, U.S. Attorney for the Southern District of New York, said in a statement announcing the indictments. According to the indictment, copies of the Blackshades RAT were available for sale, typically for \$40 each, on a website maintained by Blackshades. Prosecutors said Alex Yucel of Sweden was the co-creator of the RAT, and owned and operated the Blackshades organization; he is charged with two counts of computer hacking, each of which carries a maximum sentence of 10 years in prison. Brendan Johnston of Thousand Oaks, California, Kyle Fedorek of Stony Point, New York, and Marlen Rappa of Middletown Township, New Jersey, were also indicted.

Energy risks include regulation, pricing, insurance gaps: Survey

■ Regulatory and legislative changes and the increased cost of compliance are tied with volatile oil and gas prices as the biggest risk factors facing the oil and gas industry, but most firms are also worried about the availability of insurance, says a new survey. Tied for third place are operational risks, environmental and/or health regulations, and inability to expand reserves or find replacement reserves, each of which were cited by 98% of the firms. The findings are based on a survey by Chicago-based accounting firm BDO USA L.L.P. of risk factors listed in the most recent 10-K filings of the 100 largest energy firms.

Krawiec joins BI sales team for Mid-Atlantic

Business Insurance has added to its sales staff with the hiring of Mark Krawiec as Mid-Atlantic advertising manager in New York.

Mr. Krawiec has extensive experience in selling traditional and new media advertising, as well as events. He also has experience in direct-response and classified advertising sales.

He joined *Business Insurance* from MediaDC, the parent company of the Washington Examiner

and The Weekly Standard, where he had been the New York-based Northeast advertising director since May 2013.

Previously, he was the New York-based senior account director and District of Columbia regional manager at The Financial Times Group, which he joined in 2004. The group, a unit of Pearson P.L.C., includes The Financial Times, *FT.com* and The Economist.

From 1994 to 2004, he worked at The Wall Street Journal in New

York in display advertising sales.

Mr. Krawiec graduated from Bernard M. Baruch College in New York with a bachelor’s of business administration in marketing management and was a member of the Baruch baseball team.

He is a member of the Financial Communications Society and a board member of the Downey Side Inc. adoption agency in New York.

He can be reached at mkrawiec@businessinsurance.com or 212-210-0136.



Mr. Krawiec

Publisher:
Frank Quigley (Chicago)

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

Editor:
Gavin Souter (Chicago)

Editor-at-Large:
Jerry Geisel (Washington)

Managing Editor:
Paul Bomberger (Chicago)

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

Art Editor:
William Murphy (Chicago)

Senior Editors:
Judy Greenwald (San Jose);
Mark A. Hofmann (Washington);
Sarah Veysey (London);
Joanne Wojcik (Denver);
Rodd Zolkos (Chicago)

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

Copy Desk Chief:
Katherine Downing (Chicago)

Copy Editor:
Dave Roknic (Chicago)

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

Editorial Assistant:
Kate Shepherd (Chicago)

Director of Research:
Angelina Villarreal (Chicago)

Editorial Cartoonist:
Roger Schillerstrom (Chicago)

Advertising Sales Director:
Peter Oxner (Chicago)

Director of Conference Sales:
Mary Pemberton (Denver)

Northeast Regional Sales Manager:
Ron Kolgraf (Boston)

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

**Southeast & Classified
Advertising Manager:**
Monique Murray (New York)

Production Manager:
J. Thomas Janka (Chicago)

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

Director of Events & Brand Marketing:
Martha Donato (New York)

Marketing Director:
Mike Hernandez (Chicago)

**Director of
Demand Generation Services:**
Par Gandhi (New York)

Client Services, Project Manager:
Kathy L. Barnes (Chicago)

Digital Product Manager:
Christina Kneitz (Chicago)

Reprint Sales Manager:
Lauren Melesio (New York)

Sales & Marketing Specialist:
Emily Stein (Chicago)

EDITORIAL: Chicago: 312-649-5200;
Denver: 303-278-7444;
London: 44-207-457-1400;
New York: 212-210-0100;
San Jose: 408-774-1500;
Washington: 202-662-7200

ADVERTISING: Boston: 617-292-4856;
Chicago: 312-649-5224;
Denver: 303-898-4043;
New York: 212-210-0136

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

Business Insurance is published by
Crain Communications Inc.
Crain Communications Inc. Board of Directors
Chairman: Keith E. Crain
President: Rance Crain
Treasurer: Mary Kay Crain
Cindi Crain

Executive Vice President/Operations:
William A. Morrow

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

Senior Vice President/Group Publisher:
David Klein

Vice President/Group Publisher:
Chris Battaglia

Vice President/Production & Manufacturing:
Dave Kamis

Chief Information Officer:
Anthony DiPonio

G.D. Crain Jr.:
Founder (1885-1973)
Mrs. G.D. Crain Jr.:
Chairman (1911-1996)
Merrilee P. Crain:
Secretary (1942-2012)
S.R. Bernstein:
Chairman-executive committee (1907-1993)

Contributing: Sheena Harrison, Bill Kenealy,
Matthew Lerner, Kate Shepherd, Sarah Veysey



KUTTELVASEROVA STUCHELOVA/SHUTTERSTOCK.COM

French fracking firm startles hares

A French fracking company that allegedly put a fatal scare into some rare hares will have to answer for it in court.

Energy exploration firm CGG Land Inc., a unit of Paris-based geosciences firm CGG S.A., was sued earlier this month in the Lycoming County Court of Common Pleas in Williamsport, Pennsylvania, by a local rabbit breeder who alleged noise from the company's helicopters traumatized her rabbits.

Susan Knowlden said the company's helicopters flew at "tree-top level" above her home and rabbit farm in Trout Run, Pennsylvania, causing the rabbits to panic and injure themselves against their cages.

According to Reuters, Ms. Knowlden said she lost 168 of her 300 purebred rabbits as a result of the noise.

The lawsuit seeks unspecified damages and states that the company agreed to a 1,000-foot no-fly zone around Ms. Knowlden's property, but did not enforce it and made flights over the property on several occasions.

'Copyright trolls' or 'beauty' creators?

Two of the world's oldest professions, the peddling of erotica and the practice of law, have married and their progeny is the cottage industry of copyright infringement lawsuits.

The most active filer of U.S. copyright infringement suits — 1,300 suits in the past year alone — is boutique California erotic filmmaker Malibu Media L.L.C. and its website, X-art.com.

Founded in 2006 by an ex-real estate agent and her boyfriend, X-art.com began making what co-founder Colette Pelissier, now Collette Fields, called "beautiful erotic movies."

By 2010, the company was profitable, with thousands of subscribers. But the Fields, who married in 2011, believed up to 300,000 people were watching pirated copies of their movies and first sued in February 2012. They now average more than three suits a day against everyone from grandmothers to politicians.

The couple's lawyer countered assertions that the Fields were "copyright trolls," saying the settlements amount to less than 5% of Malibu Media's profits, which are considerable: The Fields bought a \$16 million Malibu mansion in 2013. U.S. District Judge Michael Baylson agreed.

EARHART NAMESAKE'S JOURNEY NO FLY-BY-NIGHT AFFAIR



COURTESY OF FLY WITH AMELIA FOUNDATION

Amelia Rose Earhart's flight will include 17 stops in approximately 98 hours of flying.

Amelia Rose Earhart was named after Amelia Mary Earhart, the famed pilot who went missing in 1937, and will depart Oakland, California, next month for an around-the-world solo flight that retraces the path of her namesake's ill-fated final attempt. Ms. Earhart's flight will include 17 stops in approximately 98 hours of flying, and the plane — a Pilatus PC-12 NG single-engine aircraft — is insured through policies structured and secured by Lockton Cos. L.L.C., the broker said in a statement.

"My passion for flight and adventure has driven me to explore new experiences I never would have imagined possible as a child," Ms. Earhart said in the statement.

"Hard work, persistence and great role models have enabled me to fly outside the lines and achieve my dreams. Aviation plays an integral role in my life, and I hope to share some of that joy with others through this adventure," she said.

Ms. Earhart, who is based in Denver, is the president of the Fly with Amelia Foundation, which grants flight scholarships to females ages 16-18, according to the statement.

"We are passionate about aviation and appreciate Amelia's efforts to raise awareness of the opportunities and experiences it provides," Ty Carter, an aviation risk management executive with Kansas City, Missouri-based Lockton, said in the statement.

"Her tenacity and spirit are truly inspiring," he said.

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

Bling on Facebook shines light on fraud

Brides-to-be displaying photos of their engagement bling on social media have become commonplace, but one proud future bride unwittingly landed her fiancé in legal hot water when she posted a picture of her sparkler on Facebook.

Businessman David Hammond, from northwest London, filed an insurance claim for his fiancée's £20,000 (\$33,702) engagement ring, saying it was stolen while the couple was on holiday in Brazil.

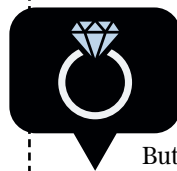
According to the Daily Mail, Mr. Hammond reported the theft to police in Rio de Janeiro in January and filed the insurance claim on his return to the United Kingdom.

But eagle-eyed underwriters at insurer Aqueduct Underwriting Ltd. spotted a photograph of Mr. Hammond's fiancée flashing the ring on her Facebook page — after the supposed theft had taken place.

When loss adjusters contacted him about the photo, Mr. Hammond said he had found the ring and subsequently withdrew his claim.

After prosecutors brought charges, Mr. Hammond recently pleaded guilty to one count of fraud and received a six-month suspended sentence.

The London judge ordered him to do 200 hours of unpaid work, spend three months on an electronically tagged curfew and pay £300 (\$506) in costs.



Five-toed sneakers costly for maker

Looks like running in those strange looking five-toed sneakers are not better for people's feet after all.

The maker of the running shoes with separated toes agreed to pay a \$3.75 million to settle a class action brought by people who thought the shoes would provide additional health benefits compared with traditional sneakers.

Concord, Massachusetts-based Vibram USA Inc., which makes Vibram FiveFingers shoes, agreed to the settlement earlier this month, according to documents filed in U.S. District Court in Boston.

The agreement is based on suits filed by two FiveFingers owners in Massachusetts federal court, as well as a pending lawsuit from another runner in Los Angeles federal court. The company expects to pay \$20 to \$50 per pair of Vibram FiveFingers shoes purchased by class members, according to the agreement.

2014 BUSINESS INSURANCE®

WOMEN *to* WATCH

.....

Please join us for the 9th annual Women to Watch Leadership Workshop and Awards Luncheon

December 9, 2014
New York Marriott Marquis, NYC

Nominations
are now open
for 2014



For details about the 2014 Women to Watch program, or to learn how your organization can become a sponsor, please contact:

MARTHA DONATO

Director of Events

mdonato@businessinsurance.com

MARY PEMBERTON

Director of Conference Sales

mpemberton@businessinsurance.com

www.businessinsurance.com/womentowatch

**Helping employees
is your passion.
Helping you is ours.**



You have a responsibility to manage your company's resources. It's part of the job. At the same time, you have a passion for taking care of your employees. It's part of who you are. Backed by 70 years of helping businesses support their employees, Liberty Mutual Insurance has a passion for protecting your people, with easy-to-administer life, leave, and disability benefits tailored to your company. To learn more, talk to your broker or consultant today about Liberty Mutual Insurance, or go to libertymutualgroup.com/employeebenefits.

