

# Business Insurance

July 19, 2010

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**HEALTH REFORM RULES REQUIRE FULL COVERAGE BY EMPLOYERS FOR PREVENTIVE CARE / PAGE 3**

**CNA SHEDS OLD LIABILITIES THROUGH REINSURANCE DEAL WITH BERKSHIRE / PAGE 3**

## In Brief

**AIG to pay \$725M to settle pension suit**

American International Group Inc. and certain AIG directors and officers have agreed to pay \$725 million to settle a securities class action brought by three Ohio pension funds, Ohio Attorney General Richard Cordray said. The attorney general's office said the settlement, which is subject to court approval, resolves allegations of wide-ranging fraud from October 1999 to April 2005 involving anti-competitive market division, accounting violations and stock price manipulation, and brings the total expected recovery for AIG shareholders to more than \$1 billion. AIG said in a statement that the settlement allows the insurer "to continue to focus its efforts on paying back taxpayers" and restoring its franchise's value.

**House passes NFIP extension**

The House of Representatives passed a measure that would extend the National Flood Insurance Program through Sept. 30, 2014. The Flood Insurance Reform Priorities Act of 2010 would increase the maximum available flood coverage for nonresidential properties to \$670,000, and prohibit insurance companies that contract with NFIP from excluding coverage of wind damage under their own policies solely because flooding also caused damage to the property.

**Broker network targets private equity market**

Equity Risk Partners Inc. has launched a global insurance brokerage network aimed at the private equity merger-and-acquisition marketplace. The alliance, Equity Risk Partners

See **IN BRIEF** page 51

## MERGERS & ACQUISITIONS

# Big buy boosts Aon in benefit consulting

*Hewitt deal brings portfolio of big clients, doubles revenues*

By **JERRY GEISEL**

**CHICAGO**—Aon Corp.'s acquisition of Hewitt Associates Inc. will catapult Aon to the top tier of providers of employee benefit consulting and outsourcing services to the nation's biggest employers.

In the biggest deal ever involving a benefit consultant, Aon last week said that it will purchase Hewitt in a cash-and-stock deal valued at \$4.9 billion based on the July 9 close of Aon shares.

The deal eclipses last year's merger of Towers, Perrin, Forster & Crosby Inc. and Watson Wyatt Worldwide Inc., a \$3.5 billion deal that was the previous record merger of benefit consultants.

Chicago-based Aon hopes to complete the acquisition by mid-November. At that point, it plans to integrate Hewitt and its Aon Consulting unit and change its name to Aon Hewitt. Aon Hewitt's chairman and CEO will be Russ Fradin, who

now holds the same titles at Lincolnshire, Ill.-based Hewitt.

While Hewitt and Aon Consulting each generate just over \$1 billion in consulting revenues, their market bases are strikingly different. Hewitt is a dominant player in the large-employer market. More than half of Fortune 500 companies are Hewitt clients, it says.

By contrast, Aon Consulting business is concentrated among middle-market employers—organizations with less than 2,500 employees.

Other differences between Hewitt and Aon Consulting are just as dramatic. In the outsourcing field, Hewitt's \$2 billion in revenues are about 10 times that of Aon Consulting revenues (see box, page 50).

Those differences had been noticed for a long time by Aon executives.

"While Aon is very strong in the middle market, acquiring Hewitt will significantly expand our ability to serve large employers," Aon Consulting CEO Kathryn Hayley said.

In addition, a combined Aon Hewitt would bring more balance to

See **HEWITT** page 50

**\$4.9B**

Aon last week said that it will buy rival Hewitt in a cash-and-stock deal valued at \$4.9 billion. The deal will bring more large clients to Aon.

## P/C INSURERS



CHIP EAST/BLOOMBERG NEWS

**Harvey Golub quit last week as chairman of American International Group Inc., citing differences with CEO Robert Benmosche. AIG named Robert S. Miller as chairman, the company's sixth since 2005.**

# Boardroom spat at AIG leads to new chairman

By **JUDY GREENWALD**

**NEW YORK**—While it's better to lose a chairman than a CEO, the boardroom clash that forced another change at the top at American International Group Inc. is still an unwelcome development for the troubled company, observers say.

Harvey Golub resigned as chairman last week following a show-

down with president and CEO Robert Benmosche. Turnaround specialist Robert S. Miller was named AIG's sixth chairman since 2005.

Separately, AIG's board reportedly has decided to go forward with an initial public offering for its Asian life insurance unit, AIA Group Ltd. AIG declined to comment.

See **GOLUB** page 49

## AGENTS & BROKERS

# HRH founder ramps up new middle-market brokerage

By **COLLEEN MCCARTHY**

**GLEN ALLEN, Va.**—A familiar family name re-entered the middle-market insurance brokerage space last week, aiming to become a dominant East Coast player through an aggressive growth-by-acquisition strategy.

However, Hilb Group L.L.C.—led by Hilb Rogal & Hobbs Co. founder Robert H. Hilb and his son, former HRH Vp Robert J. Hilb—is likely to face challenges in executing its strategy due to current market conditions, some observers say.

The elder Mr. Hilb, who retired from HRH in 1999, will serve as

**'We see a really underserved niche in the middle-market space and think there is tremendous opportunity here.'**

Robert J. Hilb, Hilb Group L.L.C.

chairman of Hilb Group, while the younger Mr. Hilb will be president and CEO. The move comes two years after Willis Group Holdings P.L.C. acquired HRH in a \$2.1 billion deal. While Willis briefly renamed its North American opera-

tions Willis HRH, the name reverted to Willis North America last year.

"We see a really underserved niche in the middle-market space and think there is tremendous opportunity here," said Robert J. Hilb. Potential customers will be defined more by the "absence of a risk manager" rather than by revenue size, he said. The firm intends to differentiate itself by offering a high degree of specialization, he said.

The Glen Allen, Va.-based firm announced its first acquisitions last week, buying Bay Shore, N.Y.-based retail agency J.J. Jerome Associates/EAI Inc.

In addition, it acquired the employee benefits and management liability book of business of Charlotte, N.C.-based broker Joseph Caruso, who before going independent was with Willis in New York. Mr. Caruso will lead Hilb Group's financial services practice, the company said.

Combined, the acquisitions total about \$3.5 million in annualized revenue. Terms of the deals were not disclosed.

Despite difficult market conditions that have put a damper on M&A activity in the brokerage

See **HILB** page 49

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# Business Insurance

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## VIDEO: INSURANCE BROKER INSIGHT

*Business Insurance* sits down with David L. Eslick, Chairman and CEO of Marsh & McLennan Agency L.L.C. to talk about the development of the new agency and what the future holds.



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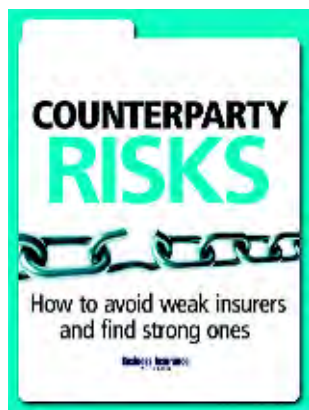
### MOST POPULAR STORIES Week of July 12, 2010

1. AIG Chairman Golub resigns amid tensions with CEO
2. Hilb brand revived in middle-market insurance broker
3. Aon drops after \$4.9B agreement to buy Hewitt
4. Property/casualty insurers see profitable first quarter: Best
5. Health reform rules clarify preventive care cost-sharing
6. Berkshire scales back coverage of riskiest policyholders
7. Marsh names three execs for new global rail practice
8. Hewitt deal boosts Aon's benefits consulting, outsourcing
9. Travelers unit provides comp cover in Emcore shooting
10. Many U.S. workers lack enough retirement savings: Study

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## ENERGY SECURITY WEBCAST

Energy security is a significant link in a company's supply chain, and risk managers can find out more about the issue by registering for a new *Business Insurance* webcast, "Energy Security: Protect Your Business from Energy Supply Disruptions," to be held Aug. 4. Click on Webcasts/Webinars under the Tools & Resources tab.



## How to manage insurer risks

*Business Insurance*'s newest white paper helps risk managers look beyond insurers' financial strength ratings to assess the security behind their programs. Go to [www.BusinessInsurance.com/whitepapers](http://www.BusinessInsurance.com/whitepapers).

## DIRECTORY OF 401(k) PLAN PROVIDERS

This year, *Business Insurance* is offering its annual listing of the 10 largest 401(k) plan administrators, ranked by number of total plan participants, online. Click on Current Issue under the News & Opinions tab.

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# Financial services reform includes surplus lines

*States must implement changes seen as easing availability, cost of coverage*

By MARK A. HOFMANN

**WASHINGTON**—With last week's passage of sweeping financial services reform legislation, the task of streamlining the surplus lines insurance market is now up to the states.

The change, long sought by risk managers, will give insurance buyers more power and more choices, say supporters of the effort.

The reforms, which relate to risk managers' access to the nonadmitted market and to the collection and allocation of surplus lines premium taxes, are contained in a provision of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which won Senate approval last week. The House of Representatives previously approved the measure, which President Obama is expected to sign this week.

The bill's chief sponsors are Senate Banking, Housing and Urban Affairs Committee Chairman Christopher Dodd, D-Conn. and House Financial Services Committee Chairman Barney Frank, D-Mass.

The provision prohibits any state other than the home state of a policyholder from requiring a premium tax payment for nonadmitted insurance. It also authorizes states to establish procedures to allocate among themselves the premium taxes paid to a policyholder's home state.

The provision also spells out conditions under which brokers representing exempt commercial insurance buyers can approach the surplus

lines market directly without first being declined in the admitted market. Among other things, an exempt commercial insurance purchaser must employ or retain a "qualified risk manager." The measure lists educational and experience criteria that define a qualified risk manager.

States have one year from the measure becoming law to implement the provision.

The New York-based Risk & Insurance Management Society Inc. believes the measure will provide risk managers with "more control and greater flexibility to work through the appointed broker in the placement of surplus lines coverage, understanding the nuances of such coverages as a qualified risk manager as defined in the bill with language provided by RIMS," said Scott Clark, RIMS director-external affairs and risk and benefits officer for the Miami-Dade County Public Schools in Miami.

Joel Wood, a senior vp with the Council of Insurance Agents & Brokers in Washington, said the law should make placing multistate surplus lines business much easier, which is why the CIAB pushed so hard for enactment.

"For our member firms, the maddening duplication and occasional conflicts in compliance for multistate placements of surplus lines motivated our initiation of this legislation," Mr. Wood said, noting that different states approached the surplus lines market in different ways. He said in regard to premium tax collection, "states are all over the map."

The legislation should "dramatically simplify" the work of brokers and reduce their costs, said Scott Sinder, CIAB general counsel and chair of Steptoe & Johnson L.L.P.'s government affairs and public policy practice in Washington.

Under current rules, "if you have a nationwide coverage program that's placed in the surplus lines market, the broker has to comply with as many as 55 sets of regulations," he said. "They are by and large the same—it's just that some of the details vary."

Under the new law, brokers will only have to comply with one set of regulations, Mr. Sinder said.

The new law should result in savings for policyholders, said Richard Bouhan, executive director of the Kansas City, Mo.-based National Assn. of Professional Surplus Lines Offices Ltd.

"The frictional costs ultimately come back to the consumer when you have multiple compliance situations and where the brokers have to allocate the premium for tax purposes in which the rules are unclear and often contradictory," he said.

Mr. Wood said implementing the changes rests with the states, which will have to

change their laws to comply. "I think that is going to light a fire under the (National Assn. of Insurance Commissioners) leadership on their efforts to establish an interstate compact to govern," he said.

"The states have a year to start putting laws into effect that are consistent," said Mr. Bouhan. "Hopefully the states will implement this in the way Congress intended."

RIMS' Mr. Clark said that the year states have to comply with the law will give RIMS an opportunity to show how importantly risk managers view having the ability to control surplus lines placement.

The Troy, N.Y.-based National Conference of Insurance Legislators supports an interstate compact approach to compliance.

"We've supported SLIMPACT, a proposed interstate compact that would serve the pur-



**The measure will provide risk managers with 'more control and greater flexibility to work through the appointed broker in the placement of surplus lines coverage, understanding the nuances of such coverages as defined in the bill with language provided by RIMS.'**

Scott Clark,  
Risk & Insurance Management  
Society Inc.

## ASBESTOS &amp; ENVIRONMENTAL



TOM MADAY

CNA Chairman and CEO Thomas F. Motamed said the deal will eliminate uncertainty for the company.

## CNA, Berkshire deal eliminates legacy liability

National Indemnity to take CNA's asbestos risk for \$2 billion

By JUDY GREENWALD

**CHICAGO**—CNA Financial Corp.'s agreement to cede \$1.6 billion in net asbestos and environmental pollution liabilities to Berkshire Hathaway Inc. and pay a \$2 billion premium to Berkshire for \$4 billion in reinsurance coverage removes a potentially major legacy liability for CNA, experts and analysts say.

The agreement between several CNA units and Berkshire unit National Indemnity Co. will cover credit risks on existing third-party reinsurance related to the liabilities, CNA said last week.

"We believe this transaction is consistent with our focus on financial stability and delivering improved levels of operating consistency as we effectively eliminate a significant source of uncertainty from these legacy liabilities," CNA Chairman and CEO Thomas F. Motamed said in a statement.

Under terms of the deal, CNA principal operating subsidiary Continental Casualty Co. and several other insurance units also will transfer to National Indemnity the right to collect billed third-party receivables with a net book value of about \$200 million. To secure its obligations, National Indemnity will deposit \$2.2 billion in a collateral trust for the benefit of the CNA companies.

Omaha, Neb.-based Berkshire has guaranteed National Indemnity's payment obligations up to the full aggregate reinsurance limit as well as certain National Indemnity performance obligations under the trust agreement, CNA said.

National Indemnity will handle claims and collect from third-party

See **CNA** page 50

## HEALTH CARE REFORM

# Preventive services coverage to expand

New regulations say no cost-sharing for recommended tests

By JERRY GEISEL

**WASHINGTON**—Final health care reform-related regulations will require many employers to expand their coverage of preventive services and tests.

The regulations, issued last week by the departments of Health and Human Services, Labor and Treasury, provide guidance on a provision in the health care reform law that will require group plans to provide full coverage, with no employee cost-sharing—such as through deductibles, copayments or coinsurance—for preventive services and tests.

The requirement takes effect Jan. 1, 2011, for employers with calendar-year health care plans. So-called

grandfathered plans, though, will be exempt from the new coverage mandate. To retain grandfathered plan status, employers can't, among other things, boost coinsurance requirements or raise the percentage of premiums paid by employees by more than five percentage points.

**'The reality is that preventive care services can be very cost effective.'**

Dr. Jeff Levin-Scherz, Towers Watson & Co.

Under the health care reform law and the regulations, no employee cost-sharing can be required for tests and screenings recommended by the United States Preventive Services Task Force, an independent panel of health care experts.

Among other things, no employee cost-sharing would be

allowed for blood pressure, diabetes and cholesterol tests, annual physicals, vaccinations, age-appropriate colonoscopies, as well as obesity and smoking cessation counseling.

Many employers already provide full coverage, or close to that, for preventive services, though not for

the entire range of preventive services and tests that they will have to provide at no cost, said Mike Thompson, a principal with PricewaterhouseCoopers L.L.P. in New York.

Coverage is provided, though not necessarily at 100%, noted Jim Winkler, a principal in the Norwalk,

Conn., office of Hewitt Associates Inc.

While 100% coverage will have to be provided for preventive services, the regulations make clear that comparable coverage does not have to be provided for preventive services delivered by out-of-network providers. The law was not clear on that point, experts said.

On average, the new mandate will boost, at least initially, group health care costs by 1.5%, as more health plan enrollees get preventive services and tests, federal regulators say.

Down the road, though, if those tests help identify medical problems before they develop into expensive-to-treat conditions, the growth in health care expenditures could be slowed.

"The reality is that preventive care services can be very cost effective," said Dr. Jeff Levin-Scherz, a consultant in the Boston office of Towers Watson & Co.

## FEDERAL LEGISLATION &amp; REGULATION

## House hears testimony on offshore reinsurance tax bill

By COLLEEN MCCARTHY

**WASHINGTON**—Opponents and proponents testified before a U.S. House subcommittee last week on a controversial tax proposal that would target offshore reinsurance transactions.

Testifying during a House subcommittee hearing, executives of Chubb Corp. and W.R. Berkley Corp. argued that the current system creates an unlevel playing field, while opponents said the bill would increase insurance costs, particularly in catastrophe-prone areas.

The bill, H.R. 3424, introduced by Rep. Richard E. Neal, D-Mass., seeks to limit tax deductions for reinsurers that cede large portions of their U.S. premiums to offshore affiliates. Under the cur-



Rep. Richard E. Neal introduced a tax proposal targeting offshore reinsurance deals.

rent system, U.S. affiliates of a foreign-based company can avoid paying U.S. tax on domestic underwriting and investment income by reinsuring their business offshore, according to the proposal.

Rep. Neal, chairman of the Select Revenue Measures subcommittee of the House Ways and Means committee, said "there has been significant growth in U.S. premiums sent offshore for reinsurance, but particularly so for those sent to related parties."

The problem has grown worse after a "decade of migration offshore," said Rep. Neal, who introduced a similar measure in 2008 on which Congress took no action.

The bill is backed by the Coalition for a Domestic Insurance Industry, a group of 14 U.S.-

based insurers. Testifying on behalf of the coalition were John J. Degnan, vice chairman and chief operating officer of Warren, N.J.-based Chubb Corp., and William R. Berkley, chairman and CEO of Greenwich, Conn.-based W.R. Berkley Corp. Both said the issue is a question of fair taxation.

Opponents, who view the tax as punitive and argued that any such measure would dramatically constrict capacity and increase rates, include the New York-based Risk & Insurance Management Society Inc. and the Washington-based Coalition for Competitive Insurance Rates. The organizations reiterated their opposition to the bill last week in statements.

Messrs. Degnan and Berkley argued that the measure would not hurt the availability or cost of

See **NEAL** page 50

## BI accepting nominations for leading women in industry

*Business Insurance* is accepting nominations for the magazine's 2010 Women to Watch feature, with a deadline of July 30.

The Women to Watch list is an annual feature spotlighting 25 women who are doing outstanding work in commercial insurance, reinsurance, risk management, employee benefits and related fields, such as law and consulting. Readers are encouraged to nominate candidates using the nomination form at [www.BusinessInsurance.com](http://www.BusinessInsurance.com).

A panel of senior editors of *Business Insurance* will select this year's honorees. Among the criteria for inclusion are recent profes-



sional achievements, influence on the marketplace and contributions to the advancement of women in business. The list is open

to women worldwide. Prior honorees are not eligible for the 2010 list.

Profiles of the women will appear in the Dec. 6 issue of *Business Insurance*, as well as at [www.BusinessInsurance.com](http://www.BusinessInsurance.com).

In addition, a luncheon honoring the 2010 Women to Watch and alumnae is planned for Dec. 7 in Chicago. For information on attending or partnership opportunities, please contact Events Manager Becky Briggs at [rbriggs@businessinsurance.com](mailto:rbriggs@businessinsurance.com) or 212-210-0132.

To download a nomination form, please visit [www.BusinessInsurance.com](http://www.BusinessInsurance.com) or e-mail BI Editor Regis Coccia at [rcoccia@businessinsurance.com](mailto:rcoccia@businessinsurance.com).

## RISK MANAGEMENT

# Risk managers slash costs in tough economy: Survey

*ERM takes backseat to expense reduction for many buyers*

By JEFF CASALE

Cutting costs and managing expenses top corporate risk managers' priority list as the weak economy lingers, according to a Towers Watson & Co. survey.

Nearly 64% of the 244 corporate risk managers surveyed said the cost of claims within their retentions, including captives, was the most important issue in controlling their total cost of risk.

Further, about 49% of risk managers surveyed said premiums paid

to a third-party insurer is No. 2 in importance in efforts to keep costs down.

The cost issues prevailed over other aspects of risk management, including establishing a true enterprise risk management process within the company, according to the survey that the New York-based risk management and human resources consultant released last week.

Towers Watson surveyed corporate risk managers in April and May. Sixty-nine percent of participating companies had revenues of at least \$1 billion.

Barry Franklin, Chicago-based director of Towers Watson's corporate risk management practice, said despite citing claim trends as an

## WHY ERM NOT USED

Respondents' reasons for their company having no enterprise risk management program

Nobody has been able to articulate the value of implementing ERM to our company

37%

Too resource-intensive and expensive to pursue, regardless of value

27%

Too compliance-oriented and bureaucratic to pursue, regardless of cost

15%

We did an initial ERM project that was not viewed as a success

7%

Other

29%

Source: Towers Watson & Co.

area of concern, few risk managers seek outside help from brokers or actuaries about how to manage claims.

He said risk managers might not be confident that a broker can help them keep the costs of retained losses down or that they are able to ana-

lyze trends affecting a company's claims.

Claims aside, risk managers also put ERM high on their list of priorities, with 55% of risk and finance managers reporting they have a true ERM process in place, up significantly from 11% in 2000 and 37% in 2005, according to the survey.

Of those companies that don't have an ERM strategy in place, 37% of the respondents said there has been no articulation of the value of implementing an ERM program and 27% said ERM was too resource-intensive and expensive.

"I expect the upward trend (in adoption of ERM plans) to continue as the Securities and Exchange

See **SURVEY** page 51

## RETIREMENT BENEFITS

401(k) plans in many cases have become employees' sole retirement savings plan, a role the plans were not intended to serve.



## 401(k)s under pressure as other options vanish

*Employers struggle to offer plan designs that satisfy needs*

By JUDY GREENWALD

Like a summer bungalow now being lived in year-round, 401(k) plans are being called on to serve a function never anticipated by their architects when they drew up the blueprints more than 30 years ago.

When Congress amended the U.S. Internal Revenue Code in 1978 to make 401(k)s feasible (see timeline page 48), the plans were expected to act only as a supplement to the defined benefit plans then-popular among employers as part of a three-pronged approach that included Social Security.

But since then, as financially strapped employers have moved away from defined benefit plans, 401(k) plans in many cases have become employees' sole retirement savings plan, a role the plans were

not intended to serve.

The plans' design has changed considerably over the years. Large numbers of employers in recent years have added life-cycle or target-date funds to reduce investment risk for older employees.

In addition, a majority of employers now provide automatic enrollment in which workers are automatically enrolled unless they object.

At the same time, many plan sponsors have beefed up investment education programs and improved 401(k) plan communication programs.

But today's 401(k) plans reflect a host of problems. Account balances devastated by the recession because of their high proportion of equity investments have led many employees to delay retirement for years, if not indefinitely, observers say. Other problems include inadequate financial contributions as well as withdrawals or loans by

See **401(k)** page 48

## INTERNATIONAL

## Europe mulls insurance backstops

*Officials may force all member states to run guaranty funds*

By MICHAEL BRADFORD

**BRUSSELS**—The European Commission has proposed requiring all European Union member states to establish insurance guaranty funds to protect policyholders should an insurer become insolvent.

The commission published a white paper last week that sets out a framework for the arrangements that would be prefunded by insurers in amounts according to a risk-based formula. A consultation period on the proposed directive runs until Nov. 30.

As proposed, the backstops would cover individual claimants and

small businesses. The commission confirmed, though, that it has not ruled out expanding the pool of eligible claimants to large commercial insurance buyers.

"If the consultation reveals that there is support for broadening the scope of claimants, that has not been fully excluded," said a commission official who asked not to be named.

Of the 30 countries in the European Union and European Economic Area, 12 have one or more insurance guaranty funds, the commission said in its proposal. Those countries are Bulgaria, Denmark, France, Germany, Ireland, Latvia, Malta, Norway, Portugal, Romania, Spain and the United Kingdom.

Of those countries, Bulgaria, Germany and Portugal have only life insurance guaranty funds in place.

The commission argues the

arrangements should be implemented in all member states, saying 56% of all nonlife insurance policies and 26% of life policies are not protected by such funds.

While supportive of efforts to protect policyholders, the Brussels-based Comité Européen des Assurances, the European federation of insurers and reinsurers, said portions of the proposal are worrisome.

Acknowledging that it is "still very early in the process," William Vidonja, head of the single-market and social affairs department, said the CEA is concerned that the commission is treating insurers too much like banks in calling for backstop arrangements.

"The biggest concern that we have is related to the funding of insurance guaranty schemes that is

See **GUARANTY** page 46

## INTERNATIONAL

## U.K. to review health, safety regulations

By SARAH VEYSEY

**LONDON**—U.K. risk managers hope an ongoing review of health and safety law will yield better enforcement of employers liability insurance rules as well as improvements in the personal injury claims system.

Last month, U.K. Prime Minister David Cameron appointed Lord Young of Graffham, a former cabinet minister, to advise on health and safety law and practice and to conduct a review into health and safety law and the "compensation culture." Many commentators believe U.K. society has become more litigious and that health and safety legislation has become too onerous, stifling innovation and growth.

"We need a sensible new



PA PHOTOS/LANDOV

Lord Young of Graffham will conduct a review of the United Kingdom's health and safety laws.

approach that makes clear these laws are intended to protect people, not overwhelm businesses with red

tape," Mr. Cameron said in a statement.

Lord Young is expected to report on his findings within a few weeks.

Commenting on the review, the Assn. of Insurance & Risk Managers characterized enforcement of the Employers' Liability (Compulsory Insurance) Act 1969 as "woefully inadequate." The act requires most employers in the United Kingdom to buy employers liability insurance, which covers on-the-job injury and illness.

London-based Airmic said in its submission to the review that while it recognizes "the obvious legal and moral imperative to protect staff," its members often are at a competitive disadvantage because they buy employers liability coverage while

See **SAFETY** page 47

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**Commentary**

**Changing laws to get revenge not the answer**

Washington's an angry place this summer.

There's anger at financial institutions. There's anger at BP P.L.C. And, of course, there's anger exchanged between both sides of the political aisle as the midterm congressional elections approach. That anger is likely to grow by November.

The public's unhappy, although just whom it's unhappy with and why varies from voter to voter. With a shaky economy, continued high unemployment and a general feeling of uncertainty, the unhappiness is expected and understandable.

People want reform, although there's little agreement about what should be reformed. Government spending? Financial services? Unfortunately in the current atmosphere, the desire for reform risks mutating into something much uglier—revenge.

We saw this in the days that came after the near-collapse of American International Group Inc. in September 2008. For many on Capitol Hill and beyond, AIG symbolized everything that was wrong with the way the economy ran and how taxpayers had to pay for it.

At hearing after hearing, lawmakers tried to outdo each other in expressing their righteous ire, an ire that crossed political and geographic lines. Some called for the public release of personal information about employees of AIG Financial Products Corp. who declined to return bonuses. Although no such information ever was released, it was great political tragicomedy for a while. The aim appeared to be more revenge than reform.

Now we're seeing a version of the same thing in regard to BP. I don't hold any great love for BP, and the company deserves to be forced to pay to clean up the mess it made. In the interest of full disclosure, I freely acknowledge that, owing to an inheritance, I own stock in a competitor that stands to gain financially from BP's woes.

That doesn't diminish the fact that laws should be changed in the wake of the spill. For example, the \$75 million liability cap contained in the Oil Pollution Act is nothing short of ridiculous and should be significantly increased.

But before BP agreed to set up a \$20 billion fund to cover losses from the spill, some members of Congress wanted not only to raise the liability cap but to do so retroactively. That would be very satisfying politically, but retroactivity always has struck me as a dangerous way in which to apply the law.



**MARK A. HOFMANN**

Senior Editor Mark A. Hofmann can be reached at: [mhofmann@businessinsurance.com](mailto:mhofmann@businessinsurance.com)

In fact, retroactivity can turn the rule of law on its head. What are laws other than rules by which a society conducts itself? Rules can be changed—that's what legislatures are for. But if rules are changed retroactively to punish conduct that was perfectly legal when it occurred, the rule of law suffers.

We saw something like this with the Superfund, which applied retroactive liability to polluters large and small—and no

**In the current atmosphere, the desire for reform risks mutating into something much uglier—revenge.**

doubt, occasionally nonexistent—for acts that had sometimes been legal when they occurred. The result was a litigation nightmare, where potentially responsible parties sued and countersued each other, slowing cleanup. In some cases, the suits grew so surreal that PRPs began suing people who had tossed pizza boxes in the trash, which ultimately ended up in Superfund sites.

One of the practical effects of this retroactive liability scheme was that it discouraged redevelopment of polluted sites. After all, who wants to risk assuming the liabilities of a previous owner?

Changing civil law retroactively arguably is never fair. The desire to punish wrongdoers for their misdeeds is human, but the punishment should be in accordance with the law as it stood at the time of the misdeed, not in accordance with the way lawmakers and the citizens who elected them wish it had been.

A desire for revenge is an understandable human emotion. It is not, however, a sound basis for a civil legal system, no matter how angry the public and its representatives might be.

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# Business Insurance OPINIONS

## 401(k) options should change with the times

IT IS TIME to change the regulations so plan sponsors can readily offer to put part of their 401(k) plan's assets into annuities.

When Congress amended the U.S. Internal Revenue Code in 1978 to make 401(k)s feasible, the plans were expected to act only as a supplement to the defined benefit plans that were popular, and to be part of a three-pronged approach that included Social Security.

But times have changed, and it is time for the regulations to change with them. In the intervening years, many financially stressed employers have moved away from defined benefit plans, and 401(k) plans often are employees' sole retirement plan.

*Times have changed, and it is time for the regulations to change with them.*

This leaves them, to a large extent, victims of the vagaries of the stock market, with its often dizzying ups and downs. Witness the many workers who must now put off their retirement indefinitely because of their devastated 401(k) plan assets.

And many workers are likely to welcome the prospect of a guaranteed future income stream upon their retirement.

Enabling plan sponsors to offer annuities as an integral part of their defined contribution plans will give many retirees a guaranteed stability their retirement finances may now lack, and which they deserve.

But regulatory changes to accomplish this are needed. The U.S. Departments of Labor and the Treasury are studying the issue. We hope they can come up with a way to make it easier for plan sponsors to do right by their retirees.

## Reform includes needed insurance resource

IT HAS TAKEN far longer than it should have, but a federal-level insurance office will be established soon, and surplus lines taxation and regulatory reform is about to become law.

Both are contained in the comprehensive financial services regulatory legislation that President Obama is expected to sign into law this week. We've long supported both initiatives, and believe they can be harbingers of additional reform.

While we have no objections to the provisions in their current form, we think the Federal Insurance Office should have had greater power to pre-empt state insurance regulations, particularly those that affect international insurance matters. Foreign insurers have long complained, and rightly so, of the difficulties of dealing with more than 50 regulators, rather than being able to work with a single official who can speak with authority on insurance matters for the nation as a whole. Pre-emptory powers granted to the new Federal Insurance Office fall short of what we would have liked.

That said, there's no denying the importance of having a federal-level insurance resource within the Treasury Department. As the drafter of the original federal insurance office bill—Rep. Paul Kanjorski, D-Pa.—noted more than two years ago, such an office would have provided expertise to assist in the consideration of the Terrorism Risk Insurance Act, which created the federal terrorism backstop program, in the aftermath of the Sept. 11, 2001, terrorist attacks.

The insurance provisions contained in the regulatory reform bill present a sound foundation for further reforms, including the eventual establishment of a system of optional federal charters for multistate insurers and producers. The foundation is there, and it's up to risk managers and other reform advocates to make the most of it in the years to come.



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#### THIS WEEK'S RESULTS

Q Does your employer use social media to communicate information on benefits?



YES  
11%

NO  
82%

DON'T KNOW  
5%

#### NEXT WEEK'S QUESTION

Q: Who should have left AIG: Chairman Harvey Golub, CEO Robert Benmosche, both or neither?

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## Insurance can be as engaging as Apple's iPad

Apple has mastered creating a bond with its customers by getting them emotionally involved in its products.

Insurance claims often involve intense emotion, which insurers can use to create and strengthen bonds with their customers, says Jon Picoult, founder of Watermark Consulting. When an insurer comes through in a time of need, its customers will remember, and probably spread the word.



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- Bill Bergman  
Senior Equity Analyst, Morningstar

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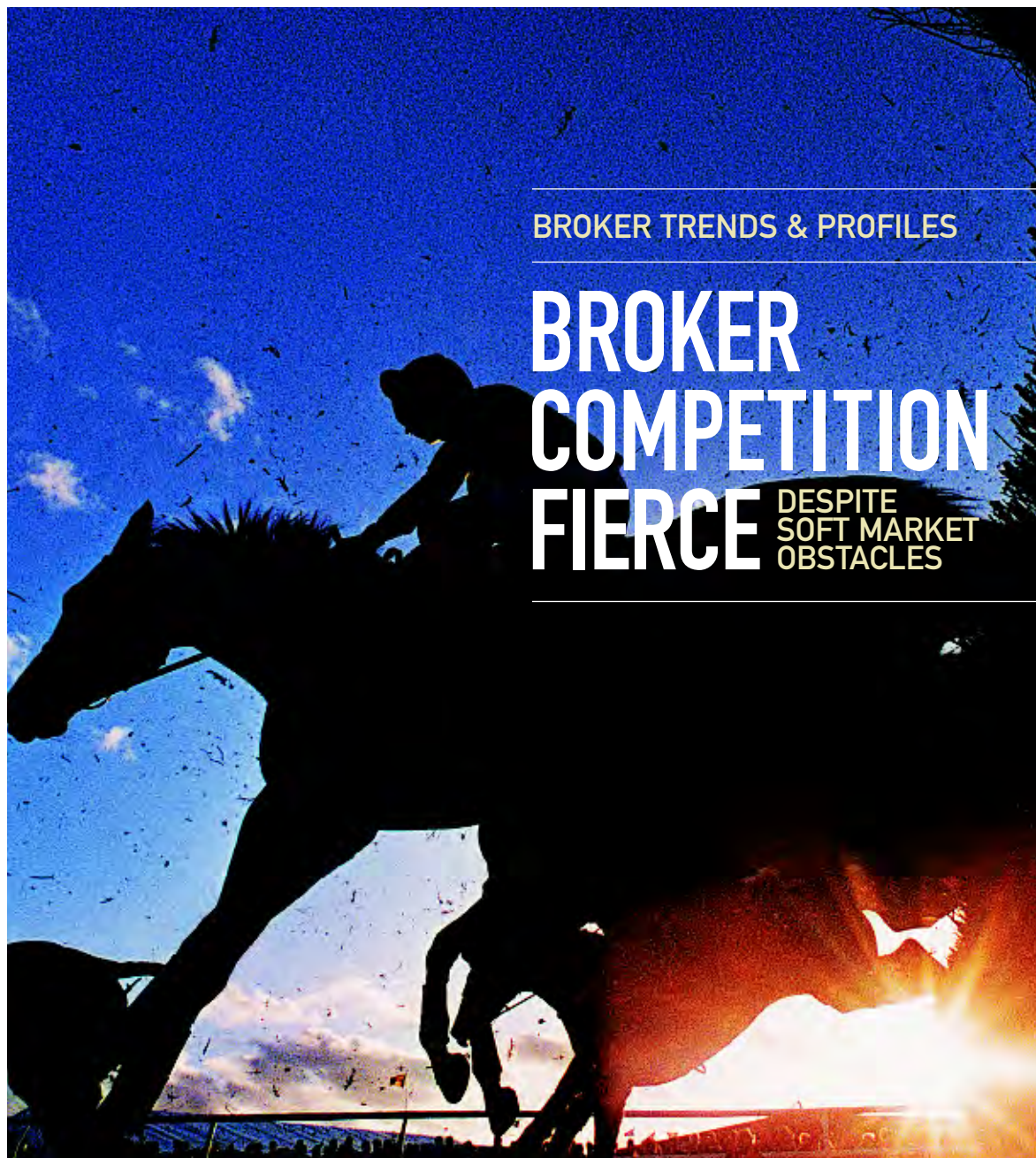
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BROKER TRENDS & PROFILES

**BROKER COMPETITION FIERCE** DESPITE SOFT MARKET OBSTACLES

**Buyers see conflict of interest in brokers taking contingents**

By GAVIN SOUTER

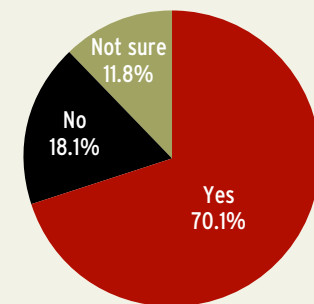
A majority of commercial insurance buyers think contingent commissions represent a conflict of interest for brokers, and an even larger proportion think disclosure of commission payments by insurers to brokers should be mandatory, according to a survey.

The survey comes as the debate over the disclosure of commission payments continues to generate controversy, New York state's planned 2011 introduction of disclosure rules and failed attempts by prosecutors to secure convictions against individual brokers for their alleged roles in abusing contingent payments.

*Business Insurance* surveyed commercial insurance buyers this month on their views on insurance industry compensation practices.

The online survey found that 70.1% of buyers think contingent commissions paid to brokers represent a conflict of interests, 18.1% said the payments do not represent a conflict of interests and 11.8%

**CONFLICT OF INTEREST**  
Do contingent commissions represent a conflict of interest?



Source: BI survey

said they were not sure.

In addition, 95.4% of respondents said disclosure of commission payments by insurers to brokers should be mandatory. Some 86.8% of respondents said they already require full disclosure of all compensation by brokers on their accounts.

According to the survey, 71.4% of buyers think their brokers' compen-

sation structure is sufficiently clear, while 67.9% said they would prefer to compensate their brokers only through fees.

The payment of contingent commissions and disclosure of broker compensation continues to generate controversy.

The practice of insurers paying contingent commissions to brokers has been controversial for more than a decade. The issue came to a head in 2004 when former New York Attorney General Eliot Spitzer brought charges of client-steering and bid-rigging by brokers seeking to maximize contingent commission payments.

The allegations resulted in settlements by the largest brokers and a ban on their collecting contingent commissions. That ban was lifted this year, though the three largest brokerages—Marsh & McLennan Cos. Inc., Aon Corp. and Willis Group Holdings P.L.C.—say they still will largely refrain from collecting the payments. Many smaller

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**AT A GLANCE**

DIRECTORY OF U.S. AGENTS AND BROKERS

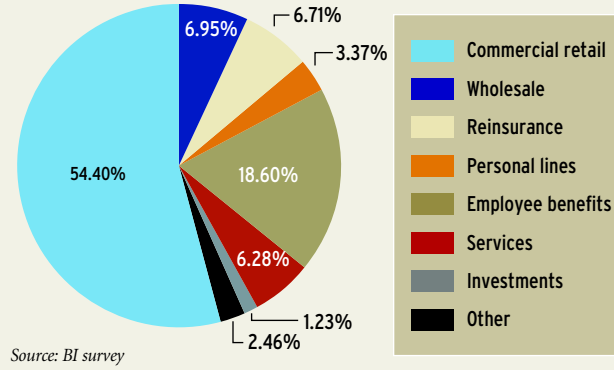
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Directory begins on page 35

**BUSINESS BREAKDOWN**

Areas contributing to the largest brokers' overall revenue



Source: BI survey

**LARGEST BANK-OWNED BROKERS\***

Ranked by 2009 brokerage revenues

COMPANY	PARENT	BROKERAGE REVENUES
Wells Fargo Insurance Services Inc.	Wells Fargo & Co.	\$1,560,908,000
BB&T Insurance Services Inc.	BB&T Corp.	\$1,081,485,400
Regions Insurance Group Inc.	Regions Financial Corp.	\$102,275,000
BancorpSouth Insurance Services Inc.	BancorpSouth Inc.	\$83,797,442
Huntington Insurance Inc., dba Sky Insurance Inc.	Huntington Bancshares Inc.	\$63,236,000
Eastern Insurance Group L.L.C.	Eastern Bank Corp.	\$58,944,299
Associated Financial Group L.L.C.	Associated Bancorp	\$52,045,467
BBVA Compass Insurance Agency Inc.	BBVA Compass Bancshares Inc.	\$47,363,163
First Niagara Risk Management Inc.	First Niagara Financial Group	\$44,362,122
Old National Insurance	Old National Bancorp	\$36,620,797

\*Companies that derive less than 50% of revenues from commercial retail brokerage or employee benefits are not ranked. Source: BI survey

**LARGEST PRIVATELY OWNED BROKERS\***

Ranked by brokerage revenue\*\*

Lockton Cos. L.L.C.	\$765,885,000 <sup>1</sup>
Leavitt Group	\$192,073,000
Frank Crystal & Co. Inc.	\$129,320,000
Hays Group Inc., dba Hays Cos.	\$111,400,000
Bollinger Inc.	\$106,123,953
J. Smith Lanier & Co.	\$104,692,172
John L. Wortham & Son L.P.	\$97,583,681
Beecher Carlson Holdings Inc.	\$95,744,200
Holmes Murphy & Associates Inc.	\$91,730,069
Hylant Group Inc.	\$86,028,510

\*Brokerage firms that are not owned by banks or private equity firms. \*\*Companies that derive less than 50% of revenues from commercial retail brokerage or employee benefits are not ranked. 1 Fiscal year ending April 30 Source: BI survey

# World's 10 largest insurance brokers

Ranked by 2009 brokerage revenues

Rank	Company/Address	Phone/Web site	Chief executive	2009 brokerage revenues	% change	2009 employees	2009 offices	PERCENTAGE OF REVENUES*							
								Commercial retail	Wholesale	Reinsurance	Employee benefits	Personal lines	Services	Investments	Other
1	Marsh & McLennan Cos. Inc. <sup>1</sup> 1166 Ave. of the Americas, New York, N.Y. 10036	212-345-6000 www.mmc.com	Brian Duperreault, president/CEO	\$10,507,000,000	-8.21%	52,000	700	41.09%	0.00%	8.67%	31.66%	0.00%	18.55%	0.68%	-0.65%
2	Aon Corp. 200 E. Randolph St., Chicago, Ill. 60601	312-381-1000 www.aon.com	Gregory C. Case, president/CEO	\$7,410,000,000	1.49%	36,200	397	61.10%	0.00%	19.48%	14.54%	0.00%	2.06%	2.01%	0.81%
3	Willis Group Holdings P.L.C. 51 Lime St., London EC3M 7DQ England	44-203-124-6000 www.willis.com	Joe Plumeri, chairman/CEO	\$3,210,000,000	-4.52%	17,000	402	58.11%	4.01%	18.82%	14.43%	2.21%	0.80%	1.53%	0.09%
4	Arthur J. Gallagher & Co. The Gallagher Centre, 2 Pierce Place, Itasca, Ill. 60143-3141	630-773-3800 www.ajg.com	J. Patrick Gallagher Jr., chairman/president/ CEO	\$1,711,683,000	6.23%	9,840	200	41.26%	11.15%	0.00%	19.11%	1.34%	26.12%	1.02%	0.00%
5	Wells Fargo Insurance Services Inc. 150 N. Michigan Ave., Suite 3900, Chicago, Ill. 60601	312-423-2500 wfis.wellsfargo.com	Neil R. Aton, president/CEO	\$1,560,908,000	-10.45%	7,412	170	55.58%	1.10%	0.02%	12.76%	9.63%	3.29%	2.55%	15.07%
6	BB&T Insurance Services Inc. P.O. Box 31128, Raleigh, N.C. 27622	919-716-9777 www.bbt.com	H. Wade Reece, chairman/CEO	\$1,081,485,400	12.40%	4,669	115	46.05%	25.88%	0.00%	9.83%	8.16%	0.00%	1.18%	8.92%
7	Brown & Brown Inc. 220 S. Ridgewood Ave., Daytona Beach, Fla. 32114	386-252-9601 www.bbinsurance.com	J. Powell Brown, president/CEO	\$964,862,833	-0.12%	5,206	138	56.63%	14.48%	1.81%	16.35%	7.04%	3.38%	0.12%	0.19%
8	Jardine Lloyd Thompson Group P.L.C. 6 Crutched Friars, London, EC3N 2PH England	44-207-528-4444 www.jltgroup.com	Dominic Burke, group chief executive	\$957,983,370 <sup>2</sup>	-3.51%	6,097	80	52.11%	6.50%	15.10%	14.60%	1.73%	8.63%	1.15%	0.19%
9	Lockton Cos. L.L.C. 444 W. 47th St., Suite 900, Kansas City, Mo. 64112-1906	816-960-9000 www.lockton.com	David M. Lockton, chairman	\$765,885,000 <sup>3</sup>	4.46%	3,880	51	68.01%	6.34%	1.67%	22.48%	0.41%	0.00%	1.08%	0.00%
10	Gras Savoye & Cie. 2-8 Rue Ancelle, Neuilly-sur-Seine, 92200 France	33-1-41-43-5000 www.grassavoye.com	Patrick Lucas, chairman/CEO	\$754,719,600 <sup>4</sup>	-4.02%	3,670	105	64.08%	0.00%	1.55%	30.20%	3.18%	0.00%	0.99%	0.00%

\*Percentage of revenue may not total 100% due to rounding. 1 Revenues do not include HSBC Insurance Brokers Ltd., purchased April 2010. 2. British pound=\$1.5661 (2009) fiscal year ending Dec. 31. 3 Fiscal year ending April 30. 4 Euro=\$1.3935 (2009) fiscal year ending Dec. 31.

Source: BI survey  
Researched by Kevin Edison

Additional charts on brokers are available at [www.businessinsurance.com](http://www.businessinsurance.com). Visit [www.businessinsurance.com/directories](http://www.businessinsurance.com/directories) for more information and to access the full searchable Directory of Agents & Brokers. Business Insurance now offers the option to purchase the entire online directory as an Excel file or as a PDF.



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# 100 largest brokers of U.S. business

Ranked by 2009 brokerage revenues generated by U.S.-based clients\*

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2009 rank	2008 rank	Company	Headquarters	2009 revenue	% change	Type of firm	% commercial retail brokerage**	% employee benefits**
1	1	Marsh & McLennan Cos. Inc. <sup>1</sup>	New York	\$4,938,290,000	-6.22%	Broker	41.09%	31.66%
2	2	Aon Corp.	Chicago	\$2,667,600,000	4.39%	Broker	61.10%	14.54%
3	3	Willis Group Holdings P.L.C.	London	\$1,669,200,000	-6.32%	Broker	58.11%	14.43%
4	4	Wells Fargo Insurance Services Inc.	Chicago	\$1,560,908,000	-10.45%	Agent/Broker	55.58%	12.76%
5	5	Arthur J. Gallagher & Co.	Itasca, Ill.	\$1,523,397,870	8.67%	Agent/Broker	41.26%	19.11%
6	7	BB&T Insurance Services Inc.	Raleigh, N.C.	\$1,081,485,400	12.40%	Agent/Broker	46.05%	9.83%
7	6	Brown & Brown Inc.	Daytona Beach, Fla.	\$961,968,245	-0.12%	Agent/Broker	56.63%	16.35%
8	8	USI Holdings Corp.	Briarcliff Manor, N.Y.	\$628,009,000	-0.81%	Agent/Broker	40.23%	50.95%
9	10	Lockton Cos. L.L.C.	Kansas City, Mo.	\$528,460,650 <sup>2</sup>	4.46%	Broker	68.01%	22.48%
10	9	Hub International Ltd.	Chicago	\$514,936,020	-4.22%	Broker	56.41%	13.76%
11	11	Alliant Insurance Services Inc.	Newport Beach, Calif.	\$351,961,786	5.74%	Broker	63.57%	28.17%
12	12	Leavitt Group	Cedar City, Utah	\$192,073,000	8.36%	Agent/Broker	56.90%	19.73%
13	13	CBIZ Benefits & Insurance Services Inc.	Cleveland	\$154,100,000	-1.72%	Broker	13.64%	56.07%
14	15	Jardine Lloyd Thompson Group P.L.C.	London	\$134,117,672 <sup>3</sup>	3.91%	Broker	52.11%	14.60%
15	16	Frank Crystal & Co. Inc.	New York	\$129,320,000	2.43%	Broker	76.38%	11.31%
16	20	Hays Group Inc., dba Hays Cos.	Minneapolis	\$111,400,000	7.74%	Agent/Broker	54.80%	40.75%
17	19	Bollinger Inc.	Short Hills, N.J.	\$106,123,953	2.27%	Agent/Broker	36.13%	36.67%
18	21	J. Smith Lanier & Co.	West Point, Ga.	\$104,692,172	1.87%	Agent/Broker	62.09%	28.10%
19	18	Regions Insurance Group Inc.	Memphis, Tenn.	\$102,172,725	-7.54%	Agent/Broker	65.50%	15.74%
20	22	John L. Wortham & Son L.P.	Houston	\$96,607,844	-2.77%	Agent/Broker	79.00%	14.97%
21	29	Beecher Carlson Holdings Inc.	Atlanta	\$93,829,316	9.60%	Broker	73.76%	6.16%
22	24	Holmes Murphy & Associates Inc.	West Des Moines, Iowa	\$91,730,069	-1.05%	Agent/Broker	44.97%	42.74%
23	26	Mesirow Insurance Services Inc.	Chicago	\$89,036,480 <sup>4</sup>	-1.04%	Broker	65.18%	29.59%
24	25	Hylant Group Inc.	Toledo, Ohio	\$86,028,510	-4.94%	Agent/Broker	70.55%	20.51%
25	23	BancorpSouth Insurance Services Inc.	Tupelo, Miss.	\$83,797,442	-9.96%	Agent	61.90%	23.99%
26	28	Neace Lukens Holding Co.	Louisville, Ky.	\$83,571,922	2.44%	Agent	50.73%	24.37%
27	30	IMA Financial Group Inc.	Wichita, Kan.	\$77,853,206	-3.16%	Agent/Broker	64.60%	12.42%
28	31	Insurance Office of America Inc.	Longwood, Fla.	\$77,591,871	0.64%	Agent/Broker	70.17%	10.37%
29	40	Barney & Barney L.L.C.	San Diego	\$70,723,620	12.36%	Broker	50.37%	46.33%
30	36	Trion Group Inc., dba Trion	King of Prussia, Pa.	\$70,300,000	3.84%	Agent/Broker	0.00%	100.00%
31	35	Heffernan Group	Walnut Creek, Calif.	\$68,087,000	0.29%	Broker	65.88%	10.63%
32	33	Conner Strong Cos. Inc.	Marlton, N.J.	\$66,879,120	-11.85%	Agent/Broker	50.39%	32.90%
33	37	T&H Group Inc. <sup>5</sup>	New York	\$63,930,253	-2.48%	Broker	57.91%	26.57%
34	38	Huntington Insurance Inc.	Bowling Green, Ohio	\$63,236,000	-1.18%	Agent/Broker	36.98%	25.89%
35	73	Ascension Insurance Inc.	Kansas City, Mo.	\$59,023,000	59.70%	Agent	43.30%	32.59%
36	51	Eastern Insurance Group L.L.C.	Natick, Mass.	\$58,944,299	15.12%	Agent	41.14%	17.42%
37	42	Woodruff-Sawyer & Co.	San Francisco	\$58,800,000	3.50%	Broker	71.43%	25.71%
38	47	Cottingham & Butler Inc.	Dubuque, Iowa	\$57,828,000	7.40%	Agent/Broker	47.59%	16.11%
39	50	Integro USA Inc.	New York	\$56,880,000	10.49%	Broker	94.47%	0.00%
40	48	Capacity Group of Cos.	Mahwah, N.J.	\$55,262,173	5.26%	Agent/Broker	50.13%	8.43%
41	52	Higginbotham & Associates	Fort Worth, Texas	\$54,691,729	13.74%	Agent	40.67%	53.34%
42	46	Frenkel & Co. Inc.	New York	\$53,643,495	-0.49%	Broker	59.39%	31.86%
43	45	Associated Financial Group L.L.C.	Minnetonka, Minn.	\$52,045,467	-5.85%	Agent	11.01%	60.94%
44	49	Western States Insurance	Missoula, Mont.	\$51,967,665	0.40%	Agent	53.71%	24.71%
45	44	BBVA Compass Insurance Agency Inc.	Houston	\$47,363,163	-14.96%	Agent	56.45%	28.52%
46	53	Marshall & Sterling Enterprises Inc.	Poughkeepsie, N.Y.	\$46,512,300	-1.17%	Agent/Broker	56.49%	7.24%
47	56	Horton Group Inc.	Orland Park, Ill.	\$46,305,623	0.63%	Broker	47.20%	34.88%
48	87	Edgewood Partners Insurance Center	San Mateo, Calif.	\$45,777,000	55.65%	Agent/Broker	63.36%	26.93%
49	54	Mahoney Group	Mesa, Ariz.	\$44,129,635	-4.88%	Agent	76.07%	11.52%
50	59	First Niagara Risk Management Inc.	Buffalo, N.Y.	\$43,918,501	-1.52%	Agent	55.26%	15.27%

2009 rank	2008 rank	Company	Headquarters	2009 revenue	% change	Type of firm	% commercial retail brokerage**	% employee benefits**
51	61	INSURICA Insurance Management Network	Oklahoma City	\$43,455,811	1.44%	Agent/Broker	71.14%	7.01%
52	57	William Gallagher Associates Insurance Brokers Inc.	Boston	\$42,560,372	-6.90%	Agent/Broker	74.64%	25.36%
53	62	McQueary Henry Bowles Troy L.L.P.	Dallas	\$42,260,000	0.98%	Agent	60.95%	33.99%
54	65	Propel Insurance	Tacoma, Wash.	\$41,724,000	5.12%	Broker	67.38%	20.94%
55	55	InterWest Insurance Services Inc.	Sacramento, Calif.	\$41,582,914	-9.81%	Broker	73.50%	18.96%
56	63	Riggs, Counselman, Michaels & Downes Inc.	Baltimore	\$41,198,771	-1.17%	Agent/Broker	66.24%	17.85%
57	69	Lawley Service Inc.	Buffalo, N.Y.	\$40,492,433	5.78%	Agent	49.14%	30.79%
58	66	Assurance Agency Ltd.	Schaumburg, Ill.	\$39,827,000	1.57%	Broker	74.56%	20.85%
59	39	Oswald Cos. & Affiliates	Cleveland	\$39,093,120	-38.82%	Agent/Broker	41.34%	24.60%
60	67	Rose & Kiernan Inc.	East Greenbush, N.Y.	\$38,682,270 <sup>2</sup>	0.11%	Agent/Broker	50.20%	35.72%
61	68	Andreini & Co.	San Mateo, Calif.	\$38,000,000	-0.78%	Agent/Broker	73.16%	23.68%
62	43	Guaranty Insurance Services Inc.	Austin, Texas	\$37,281,548	-33.82%	Agent	78.88%	4.77%
63	72	Old National Insurance	Indianapolis	\$36,620,797	-2.03%	Agent	41.40%	22.56%
64	71	Bowen, Miclette & Britt Inc.	Houston	\$36,541,769	-3.42%	Agent	52.50%	14.76%
65	64	Graham Co.	Philadelphia	\$36,513,491	-9.10%	Agent/Broker	93.69%	3.74%
66	70	Kinloch Holdings Inc.	West Orange, N.J.	\$36,204,300	-5.01%	Agent/Broker	51.72%	33.76%
67	58	Van Gilder Insurance Corp.	Denver	\$36,090,991	-20.06%	Agent/Broker	72.70%	18.23%
68	75	Loomis Co.	Wyomissing, Pa.	\$34,937,000	1.40%	Agent/Broker	40.32%	50.16%
69	74	Moreton & Co. <sup>6</sup>	Salt Lake City	\$34,056,000	-1.72%	Broker	61.79%	31.73%
70	85	Parker, Smith & Feek Inc.	Bellevue, Wash.	\$33,651,000	11.56%	Broker	78.29%	14.32%
71	80	Frost Insurance Agency Inc.	San Antonio	\$33,610,469	0.91%	Agent	48.95%	34.41%
72	78	Payne Financial Group Inc.	Missoula, Mont.	\$33,400,405	0.16%	Agent	71.82%	14.25%
73	86	Sterling & Sterling Inc.	Woodbury, N.Y.	\$32,500,000	8.33%	Agent/Broker	74.46%	11.69%
74	92	Starkweather & Shepley Insurance Brokerage Inc.	East Providence, R.I.	\$32,491,000	15.87%	Agent/Broker	57.10%	7.83%
75	76	SullivanCurtisMonroe Insurance Services L.L.C.	Irvine, Calif.	\$32,305,000	-5.68%	Agent/Broker	76.37%	19.42%
76	84	Dawson Cos.	Rocky River, Ohio	\$32,155,362	2.33%	Agent	60.53%	7.02%
77	79	Scott Insurance	Lynchburg, Va.	\$32,047,000	-3.82%	Agent	66.05%	20.26%
78	83	SilverStone Group Inc.	Omaha, Neb.	\$30,802,000	-2.81%	Agent/Broker	29.90%	63.20%
79	77	Fringe Benefits Management Co.	Tallahassee, Fla.	\$30,621,525	-9.56%	Agent/Broker	0.00%	100.00%
80	91	M3 Insurance Solutions Inc.	Madison, Wis.	\$29,826,100	5.90%	Agent/Broker	45.82%	52.21%
81	81	Roger Bouchard Insurance Inc.	Clearwater, Fla.	\$29,351,224	-10.78%	Agent	59.48%	24.55%
82	93	Risk Strategies Co.	Boston	\$28,424,600	1.54%	Broker	75.73%	16.10%
83	88	Lovitt & Touche Inc.	Tempe, Ariz.	\$26,880,122	-8.30%	Agent	57.20%	37.36%
84	90	Cobbs, Allen & Hall Inc.	Birmingham, Ala.	\$26,796,446	-7.22%	Agent/Broker	49.37%	24.42%
85	96	Robertson Ryan & Associates Inc.	Milwaukee	\$26,397,987	1.97%	Agent	75.84%	9.08%
86	97	Haylor, Freyer & Coon Inc.	Syracuse, N.Y.	\$25,993,838 <sup>7</sup>	0.70%	Agent/Broker	56.25%	10.30%
87	95	PSA Financial Center & Affiliates	Hunt Valley, Md.	\$25,080,778 <sup>2</sup>	-4.48%	Agent/Broker	34.72%	32.81%
88	89	Seitlin	Miami	\$24,438,455	-16.35%	Agent	50.40%	35.05%
89	99	RJF Agencies Inc.	Minneapolis	\$24,061,000	-0.41%	Agent	67.91%	28.14%
90	98	R.C. Knox & Co. Inc.	Hartford, Conn.	\$23,594,000	-6.49%	Agent	75.13%	10.35%
91	NEW	Precept Group	Irvine, Calif.	\$22,600,000	16.49%	Broker	0.00%	73.01%
92	100	Daniel & Henry Co.	St. Louis	\$22,379,000	-5.60%	Broker	59.86%	24.21%
93	NEW	Bankers Insurance L.L.C.	Glen Allen, Va.	\$22,159,119	14.19%	Agent	54.08%	14.28%
94	NEW	Momentous Insurance Brokerage Inc.	Van Nuys, Calif.	\$22,000,000	10.00%	Broker	34.55%	17.27%
95	NEW	Brower Insurance Agency L.L.C.	Dayton, Ohio	\$21,661,000	-7.84%	Agent	56.49%	30.50%
96	NEW	Schiff, Kreidler-Shell Inc.	Cincinnati	\$20,298,000	-8.88%	Agent	67.76%	18.30%
97	NEW	Bolton & Co. Insurance Brokers	Pasadena, Calif.	\$20,207,507	-7.69%	Agent/Broker	58.62%	32.18%
98	NEW	Sitzmann Morris & Lavis Inc.	Oakland, Calif.	\$19,111,000	-4.59%	Agent/Broker	0.00%	60.59%
99	NEW	Cook, Hall & Hyde Inc.	East Hampton, N.Y.	\$18,736,000 <sup>8</sup>	-2.47%	Agent/Broker	46.43%	21.21%
100	NEW	AH&T Insurance	Leesburg, Va.	\$18,531,277	2.20%	Agent/Broker	59.15%	32.41%

\*Companies that derive less than 50% of revenues from commercial retail brokerage or employee benefits are not ranked. \*\*Percentage based on total gross revenues. 1 Revenues do not include HSBC Insurance Brokers Ltd.; purchase completed April 2010. 2 Fiscal year ending April 30. 3 Converted at applicable rate, British pound=\$1.5561 (2009) Fiscal year ending Dec. 31. 4 Fiscal year ending March 31. 5 Formerly Tanenbaum-Harber Co. Holdings Inc. 6 Formerly Fred A. Moreton & Co. 7 Fiscal year ending Aug. 31. 8 Fiscal year ending Feb. 28.

Source: BI survey  
Researched by Kevin Edison

# PRODUCER COMPENSATION BROKEN DOWN

**STANDARD COMMISSIONS:** Calculated as a percentage of the premium charged by the insurer, usually negotiated between the agent or broker and insurer. Standard commissions generally fall in the range of 10% to 15% for most property/casualty lines, with workers compensation commissions more in the 3% to 5% range. Premiums on fee-based policies exclude commissions.

**CONTINGENT COMMISSIONS:** Additional compensation paid retrospectively by insurers based on the volume and/or profitability of business placed by the agent or broker. Not all lines of insurance are eligible for contingent commissions; national accounts and large loss-sensitive casualty programs, for example, are generally excluded from contingent calculations.

**SUPPLEMENTAL COMMISSIONS:** Introduced in 2007 by some insurers as a replacement for contingent commissions, supplements are paid prospectively based on the volume and profitability of business placed in the prior year. For example, the percentage of supplemental commissions to be paid for 2010 results, received in early 2011, would be based on 2009 performance.

**ENHANCED COMMISSIONS:** Introduced by Marsh Inc. in 2007, enhanced commissions are fixed fees paid by insurers based on specific services provided by Marsh. The extra fees are fixed in advance of the insurance transaction; are not contingent on volume, retention, growth or profitability; and are disclosed to clients.

**FEES:** Compensation for brokerage services negotiated between brokers and clients.

**OVERRIDES:** Typically negotiated on an individual basis between an insurer and producer, overrides are generally calculated as a fixed percentage of premium—generally in the 1% to 3% range—based on the producer’s production performance for a specific line of coverage.

# Contingents: Topic stirs controversy

CONTINUED FROM PAGE 11

brokers continue to collect contingent commissions.

Efforts to prosecute individual brokers for their involvement in bid-rigging and client-steering schemes have largely been unsuccessful. In the most high-profile case involving former Marsh executives William Gilman and Edward J. McNenney, the judge in the case, citing new evidence, this month overturned the executives’ convictions.

Disclosing broker compensation also has caused controversy.

The Risk & Insurance Management Society Inc. has pushed for mandatory disclosure of broker compensation, but New York insurance authorities this year published broker disclosure requirements that were considerably watered down from previous drafts to require extensive disclosure only on the request of clients. The rules are to go into effect on Jan. 1, 2011.

A total of 221 commercial insurance buyers responded to the *Business Insurance* survey.

Of the respondents, 56.4% worked for companies with more than \$1 billion in annual revenues, 15.5% for companies with between \$500 million and \$1 billion in revenues, 17.7% for companies with \$100 million to \$499 million in revenues, and 10.5% for companies with less than \$100 million in revenues.



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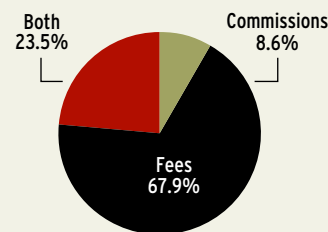
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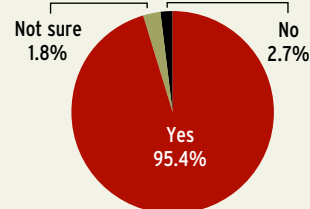
### COMMISSIONS VS. FEES

Would you prefer to compensate your broker through commissions or fees?



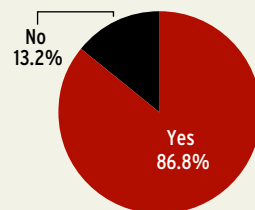
### MANDATORY DISCLOSURE

Should disclosure of commission payments be mandatory?



### FULL DISCLOSURE

Do you require full disclosure of your broker's compensation?



Source: BI survey

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# Commissions just one of many broker compensation tools

By **RODD ZOLKOS**

Commissions may rank high among the methods insurers use to compensate brokers for placing their products, but they're just one of the tools available to insurers to motivate producers.

"I think if you look across the spectrum of insurance companies, what you're going to find is a wide variety of philosophies on how brokers should be compensated," said Robert P. Hartwig, president of the New York-based Insurance Information Institute Inc. "I'm not sure

you're going to find a consensus in the industry today on what the best approach is."

"Obviously, commissions have been the traditional way by which folks have been compensated for their role as brokers or agents," said Rick Berry, director at Deloitte Consulting L.L.P. in New York. But, if the question is whether commissions are the best way to compensate brokers, "I think the answer would be, 'It sort of depends,'" Mr. Berry said.

"I think there is a range of compensation methods that need to align with what exactly the role is

the broker is playing," Mr. Berry said. For example, if the broker is being asked to play a significant role as an adviser or consultant, a fee-for-service arrangement might be appropriate.

From the broker's perspective, Mr. Berry said, there are three basic considerations in evaluating an insurer: Does the insurer have the right product for the brokers' clients, is the product competitively priced and will the broker be compensated competitively for its efforts placing the insurer's product?

While commissions are "core" to

the compensation of brokers, insurers often use additional incentive payments contingent on factors such as volume, retention, line of business or geography, the Deloitte consultant said.

"Those are sort of at the margins," Mr. Berry said. "Those can be fairly effective if they're used properly." But, the insurer has to be sure those other sorts of compensation aren't excessively complex because they won't work in motivating the broker to place business if the broker doesn't understand them.

"I think many companies, when

you look at their incentive programs, they're actually fairly flexible," said Mr. Hartwig. Whatever mix an insurer takes in its approach to broker compensation, though, at its core it will be a program that's going to provide some sort of incentive to provide good business, he said.

Brokers often are willing to show some flexibility.

"If I'm a broker, how much am I being compensated for the amount of work I do?" Mr. Berry asked. If the insurer can provide ways to make the broker more efficient and productive, "I might be willing to give up a little bit of that commission rate," he said.

## Long-running issue

Mr. Hartwig noted that while some approaches to broker compensation are the result of insurers' philosophies or strategies, in some cases the mix still is influenced by the compensation scandals that emerged as a result of investigations spearheaded by then-New York Attorney General Eliot Spitzer.

But Timothy J. Cunningham, a principal at Chicago-based OPTIS Partners L.L.C., said many of the same compensation discussions have taken place in insurers' executive offices before and after Mr. Spitzer.

"From my discussions with insurance company execs, they struggle with, 'What can we do with our compensation system to influence behavior?' and that existed pre-Spitzer as well as post-Spitzer," Mr. Cunningham said.

"In terms of driving results, a commission basis is probably as reasonable a basis as is possible," Mr. Cunningham said. "First and foremost, an agency/brokerage should be a sales organization and they're the sales arm of an insurance company. If they're going to be your sales arm, you pay them on an eat-what-you-kill basis."

It's important, though, to look at pure commission compensation vs. contingent commissions and other incentives, he said. "I think it potentially gets caught up in the transparency-and-disclosure debate," said Mr. Cunningham.

"At what point does any additional bonus compensation create the potential for conflict?" he asked. "Fundamentally, I think most producers want to do the right thing."

Thomas Buchmueller, Waldo O. Hildebrand professor of risk management and insurance in the University of Michigan's Ross School of Business, noted that without adequate transparency, those sorts of perceptions can develop in any business relying on a commission structure to compensate distributors.

"If you go into an appliance store and the sales guy is pushing you to one product rather than another, you always wonder if it's because the commission structure is better for one than the other," Mr. Buchmueller said.

However, "the commission in principle is a good incentive; and without it, the broker isn't really going to be hustling," he said.

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# Choosing a broker poses tough-to-decide questions

*Risk managers look beyond relationships to services offered*

By **RUSS BANHAM**

Risk manager Dave Hennes recalls three times when the broker on his account moved to another brokerage and asked the account to follow. Despite a business relationship that bordered on friendship, each time he declined the offer.

Mr. Hennes is not alone in coping with the nuances of the risk manager-broker relationship.

The brokerage industry's consolidation has put many risk managers in the same prickly position. Even with noncompete agreements, brokers who change employers maintain strong links to the risk managers they formerly serviced, given the personal nature of advice and service.

"The toughest part is telling someone you've grown to like, 'No, I'm sticking with your firm, not you,'" said Mr. Hennes, director of risk management at Bloomington, Minn.-based Toro Co., with \$1.52 billion in 2009 revenue.

Carmelo Casella has confronted similar dilemmas during 30 years as a risk manager.

"I had a situation once where the broker moved up at the firm and a new person was put on the account," said Mr. Casella, managing director of corporate insurance at Bank of New York Mellon Co., a New York-based asset management and securities services company. "I was worried we wouldn't hit it off. If we'd had a personality conflict but the service was fine, I can work with that; but if we butted heads and the service was lousy, I'd be sending out (requests for proposals)." Fortunately, he and the new broker hit it off.

Like a marriage, the risk manager-broker relationship requires mutual respect, honest communication,

realistic expectations and hard work. But what if risks emerge that the broker is ill prepared to address? Marriage is fine, but business is business.

"While a close working relationship with a broker is critical, the risk manager is representing his or her organization and the broker is doing likewise," said Janice Ochenkowski, managing director, global risk management, at Jones Lang LaSalle, a Chicago-based real estate firm, and a past president of the Risk & Insurance Management Society Inc. "We may work closely with them, but they're not part of our company. A risk manager must maintain a professional distance to handle the difficult issues when they arise. You do develop friendships, but you must always make sure the needs of your company are the primary focus of discussions."

The second time his broker changed employers, Mr. Hennes said he was "in the middle of a tough renewal season and my reaction was, 'Of course I'll move the business because this person knows us inside out,'" he said. "But then the existing broker sent out a new team and assured me they'd give us the highest priority. I stuck with them and, in hindsight, I'm glad I did. They stepped their service up a notch."

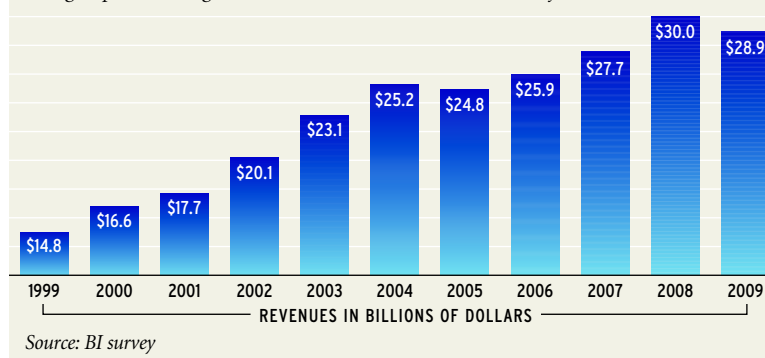
What if a risk manager wants a different broker to handle part of the insurance program?

"I had a situation where a different broker came to me with a market for a particular risk that hadn't been identified by the incumbent broker," Mr. Hennes said. "I gave him a shot. It was difficult to let our existing broker know we'd made the change, but it was the right thing for the company. Fortunately, these kinds of situations are rare."

A more common scenario is selecting a broker after a merger or acquisition. When Bank of New York Co. acquired Mellon Financial Corp. for \$16.5 billion in 2006, "I was with Bank of New York; we had

## A DECADE OF GROWTH

As a group, the 10 largest brokers' revenues have risen in most of the last decade.



one broker and Mellon had a different broker," Mr. Casella said. "I decided to do a full RFP just to these two brokers to see which one came up best. There was no need to bring in a third or fourth broker since each company was happy with the relationship. Eventually we made the decision to give all the business to one broker—not that it was easy."

When a broker change is warranted, Ms. Ochenkowski said the "best way to deliver bad news is quickly, simply and directly."

"I've had to tell one broker that we were putting another broker on part of our program. I know this can be awkward, but I took time to prepare for that meeting, writing down key points I wanted to make so it didn't devolve into something personal. I prefaced the discussion by saying, 'This will likely be the toughest meeting I will ever have with you.' Then, I explained that this was best for my firm and what I had to do," she said.

Pete Fahrenthold, managing director of risk management at Houston-based Continental Airlines Inc., said an internal audit that "raised some questions about service and pricing" prompted a review two years ago of all brokerage business. "We stuck with everything but the surety broker. I had to tell the incumbent that there were

problems with service. I did this carefully since when a broker moves on, your reputation as a client follows them," he said.

In selecting a broker, Mr. Fahrenthold said risk managers should insist the individuals making the presentation be the ones who will be assigned to the account if the contract is awarded to that firm. "Often a broker will send in their 'stars'—not that they're the ones you'll get," he said.

Continental Airline's RFP to brokers asked them to describe their experience in providing services and insurance to accounts similar in size and nature to Continental's. It also requested they identify the offices that would service the account, the organization's size and capabilities, coverage the broker believes should be purchased and preferred insurers. Other features include the brokerage's compensation structure.

Wayne Salen, director of risk management at Labors Finders International, Inc., a Palm Beach Gardens, Fla., temporary staffing company, has put together an extensive matrix to help select brokers. "It's a grid with 16 principal functional areas on it like staff expertise, communications capabilities, coverage terms and conditions, loss control expertise and capabilities with regard to serving

firms like ours. Each area is evaluated with a one-to-five score. It's what I use to judge each broker and make a decision," he said.

While Mr. Salen provides the completed matrices to the company's CEO for input, other risk managers may involve senior leaders or at least inform them of the process.

At Toro, for example, Mr. Hennes said Chairman and CEO Michael J. Hoffman often pops into Mr. Hennes' office to inquire about the company's risk exposures and the brokers and carriers addressing them.

Some risk managers get help from risk management consultants, but Mr. Fahrenthold is among those who prefer to talk to peers to determine their satisfaction levels with current or past brokers.

Ms. Ochenkowski also turns to peers for advice and leverages the relationships she has made at RIMS conferences. "You'll go to sessions and meet brokerage executives who either specialize in a critical area of coverage for your company or have a specialty in your industry—sometimes both," she said.

Her department evaluates its brokerage relationships each year, "well in advance of renewal season, when things can get very confusing and complicated," she said. "We feel that our brokers do more than just transactions, which is why their evaluations should be off-cycle from the (insurance) renewals."

"When you're looking at new brokers, they need to know your administrative issues," Mr. Fahrenthold said. "There's a lot of transferring of files and getting new people up to speed. That's another reason why you don't want to toss out all the experience you've gained with the incumbent broker. It's hard to start fresh."

Russ Banham is a veteran business journalist, author of 21 books and former insurance editor at the *Journal of Commerce*.

# Wide range of services will help benefits brokers survive

By **JOANNE WOJCIK**

Benefits brokers that provide voluntary benefits, wellness program administration and analytics likely will do well in the post-health care reform environment, experts say.

But those that have done little more than placing employers' health insurance business likely will go the way of the dinosaurs, many say.

"It will be a Darwinian landscape. Some will evolve and survive; some will literally disappear," said Michael Turpin, executive vp at USI Insurance Services Inc. in Briarcliff Manor, N.Y. "Those that can provide the greatest value, serving as an advocate, consultant and adviser, will thrive; while those who were merely sitting back and collecting commissions will have to seek employment elsewhere."

"Our business just got a lot more

**'It will be a Darwinian landscape. Some will evolve and survive; some will literally disappear.'**

Michael Turpin, USI Insurance Services Inc.

complicated," said J. Michael Brewer, president of Lockton Benefit Group, a unit of Lockton Cos. L.L.C. in Kansas City, Mo. "There are going to be brokers at risk because they're going to be under-resourced and unable to provide the depth and breadth of services required. To be successful, you're going to have to gear up, resource up and be prepared to answer the thousands of questions that employers are going to have."

"There has never been any more evidence of the value equation for brokers in helping their clients administer benefit plans in this

environment," said Joel Wood, senior vp of government affairs at the Council of Insurance Agents & Brokers in Washington.

In fact, the CIAB, which represents the top 1% of U.S. insurance producers, has seen a surge in the number of its members developing communications, hosting webinars and even films on YouTube to educate their employer clients about how health care reform will affect their plans as the federal mandate phases in.

"Brokers see this as a five- to 10-year planning exercise," Mr.

Wood said.

For example, brokers initially will help employers determine whether their plans are "grandfathered," or remain unchanged, and avoid being subject to some health care requirements, such as covering preventive care at 100%, at least temporarily.

However, as time goes by and health care costs continue to rise, employers will call on their brokers to help them decide which changes to make to keep coverage affordable, Mr. Wood said.

"There is a barrage of guidance that brokers are having to give employers about what will work and what won't work, and how to manage their costs in this environment, and how to transition into this new world," Mr. Wood said. "It's challenging; it's exhilarating; it's frustrating. But as long as that value

proposition is playing out, and there is more reliance (by employers) on consultants and brokers, our members will continue to thrive."

"Not that we don't have a great deal of anxiety. So much of this is knocking on the door of federal price controls. You've got the boot of the federal government on the necks of insurers," said Mr. Wood in referring to one aspect of the federal law that will require insurers to spend a certain percentage of premiums on medical care, known as minimum medical loss ratios.

He and others expect this to limit the amount of money insurers will have to pay in commissions, particularly in the small-group and individual markets, where medical loss ratios have been set at 80%.

"We anticipate that the new MLR

See **BENEFITS** next page

## LARGEST U.S. BENEFIT SPECIALISTS

Brokers deriving 50% or more of 2009 gross revenues from benefit business\*

Company	Revenues from benefits	% of gross revenues
USI Holdings Corp.	\$320,321,000	50.95%
CBIZ Benefits & Insurance Services Inc.	\$97,000,000	56.07%
Trion Group Inc., dba Trion	\$70,300,000	100.00%
Associated Financial Group L.L.C.	\$31,776,250	60.94%
Fringe Benefits Management Co.	\$30,621,525	100.00%
Higginbotham & Associates	\$29,197,277	53.34%
SilverStone Group Inc.	\$19,779,000	63.20%
Loomis Co.	\$18,181,500	50.16%
T&H Benefits L.L.C.	\$17,617,769	95.50%
Benefit Controls Cos.	\$17,550,000	100.00%

\*Includes commission and fees from brokering group benefits coverage, benefit consulting and health care administration.

Source: BI survey

## Benefits: Wide range of services will help

CONTINUED FROM PREVIOUS PAGE

requirements will put a squeeze on available capital that carriers can pay to brokers," said John Prible, vp of federal government affairs at the Independent Insurance Agents & Brokers of America in Washington, a trade group that represents mainly small insurance producers.

As commissions shrink for placing health benefits, some brokers may look to other coverage to supplement their income, said Shawn Jenkins, president and CEO of Benefitfocus.com Inc., a web-based technology vendor in Charleston, S.C., that provides services to bro-

kers, consultants and employers.

"If you were a broker or an agency and your primary income was health insurance commissions, you are now looking for supplemental sources of income," Mr. Jenkins said. "The primary theme on that side is to add voluntary or supplemental benefits," such as disability, life and long-term care insurance.

Mr. Jenkins said employers will welcome brokers that have the ability to offer employee-pay-all benefits as employers are forced to cut the core health benefit package they primarily finance.

"Employers are under economic pressure, but they don't want to be

perceived as cutting benefits. The strange twist of fate that could help brokers is that employers are open to offering these voluntary benefits to offset any medical benefit cuts," he said.

The IIBA's Mr. Prible sees opportunities for brokers that can help employers implement wellness incentives included in health care reform. The law allows employers to offer incentives as high as 30% of the cost of individual coverage to encourage employees to take better care of their health.

However, he acknowledged that many small brokers may not have the resources necessary to provide this service.

"The members see some opportunities in the wellness arena, but I'm not sure they've begun to explore how to go about accessing those opportunities," he said.

Benefitfocus' Mr. Jenkins also expects brokers that can help employers analyze their claims data to contain costs and direct disease management and wellness programs to fare well in the post-reform environment.

"The job of a broker has always been to help employers pick the right insurance and model it out. To the extent that they can look for ways to provide deeper value around analytics and help employers use their claims history to design better plans" will separate those brokers that survive from those that do not. "They have to be more like consultants than just brokers."

Owen Wingate, president of Wingate Insurance Group Inc. in Ponte Vedra Beach, Fla., is banking on his brokerage's ability to provide full-service benefits administration, including automated enrollment.

"With the reform bill mandating coverage, the reporting requirements (for employers) are going to be unbelievable. The employers are going to be looking to the brokers for this service," Mr. Wingate said.

As part of its health care reform practice, Lockton has developed a tool to help employers model the effect of dropping coverage and paying the \$2,000 per employee penalty under health care reform law, Mr. Brewer said.

"If you consider the financial impact to the employer, losing the tax advantage and the increased taxation on employees, it's not really a slam-dunk decision," Mr. Brewer said. Moreover, the premiums paid by employees for coverage in an employer-sponsored health plan are paid on a pretax basis, thereby reducing the amount of income subject to taxation.

USI has a calculator that enables employers to compare various scenarios including alternative plan designs, Mr. Turpin said.

"Many employers may find they are covering more than the minimum required by law. Why not cut the benefits and use the savings to finance a wellness program that pays rewards?" he suggested.

Of course, such a change could cost an employer its grandfathered status under the law, something it also could lose for substantially increasing copayments or coinsurance, or even changing insurers.

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## TOP BROKERS

RANK

1

Brian Duperreault,  
president and CEO

## MARSH &amp; McLENNAN COS. INC.

2009 GROSS  
REVENUES

\$10,510,000,000

↓  
-9.1%2009 BROKERAGE  
REVENUES

\$10,507,000,000

↓  
-8.2%

The past 12 months at New York-based Marsh Inc. have seen the brokerage make significant acquisitions and position the company for future growth, executives at the brokerage say.

"All good things start with a better financial situation," said Dan Glaser, chairman and CEO of Marsh. "We're in the right position to be able to make investments in people and technology to distinguish Marsh from its competitors."

For 2009, Marsh's brokerage revenues fell to \$10.51 billion from \$11.4 billion in 2008. That makes Marsh No. 1 in *Business Insurance's* annual ranking of the world's largest brokers.

So far this year, Marsh is making headway despite continuing soft-

**'Growing the U.S. component gives us capabilities in a segment of the market where we have not played or played well, and it gives balance to Marsh's income stream.'**

Brain Duperreault, Marsh & McLennan Cos. Inc.

ness in the global insurance marketplace. The brokerage reported gross revenues rose 8% in the first quarter, to \$1.2 billion.

"Organic growth has been hovering around zero, and that includes a variety of head winds," including soft insurance rates and a low interest-rate environment, which shows Marsh is making progress, noted Brian Duperreault, president and

CEO of parent Marsh & McLennan Cos. Inc.

In June, MMC sold Kroll Inc. for \$1.13 billion to Altegrity Inc., a screening and security firm led by Michael Cherkasky, previously the head of MMC and Kroll.

Marsh's largest recent acquisition was London-based HSBC Insurance Brokers Ltd. for £135 million (\$219.3 million) in cash, which was

completed in March. HIBL adds operations that have leading positions in Asia and the Middle East as well as middle-market U.K. business, which had little overlap with Marsh's existing London-based operations, Mr. Glaser said.

A major part of the acquisition strategy is the Marsh & McLennan Agency L.L.C. platform, which launched in October 2008 and has grown to nearly \$200 million in annualized revenue. Since mid-2009, it has acquired several agencies: Houston-based Insurance Alliance; NIA Group L.L.C. in Paramus, N.J.; Haake Cos. in Overland Park, Kan.; Thomas Rutherford Inc. in Alexandria, Va.; and the Bostonian Group in Boston.

In September 2009, Marsh acquired International Advisory Services Ltd., Bermuda's largest independent captive manager, which Mr. Glaser said fit well with Marsh's history of "creating capital to meet clients' needs."

Marsh sees opportunity to expand at home and abroad, said Mr. Duperreault. "Growing the U.S. component gives us capabilities in a segment of the market where we have not played or played well, and it gives balance to Marsh's income stream," he said.

"There is no budget around the agency, and we're not compelled to do acquisitions," Mr. Glaser said. Rather, Marsh will continue to build its already "rich pipeline of opportunities" and do deals that complement the value Marsh delivers, he said. "Over the next few years, you'll see many acquisitions within our MMC Agency space."

Among Marsh's continuing strengths are its expertise, attention to service and innovation, said Messrs. Duperreault and Glaser.

Several technology initiatives popular with Marsh clients, Mr. Glaser said, include the Marsh Market Information portal to assist clients in monitoring the financial strength of insurers; Marsh 3D, a risk-planning tool that helps clients analyze their returns on risk capital; and the 2009 merging of Marsh's existing analytical capabilities into the Marsh Business Analytics department. This month, Marsh unveiled a Global Benchmarking Portal with purchasing and pricing data across 20 industry groups and cross-industry reports on key coverages.

"For risk managers, we're seeing a more holistic take on risk management; that's absolutely needed," Mr. Glaser said. "When you start thinking about how you can affect the outcome, you have to have analytics to inform your decisionmaking. Those are all Marsh's strong suit."

"A constant from clients has been the support they continue to give us, even when we were in our darkest moments," Mr. Duperreault said. "Why was that? Frankly, it's because the underlying service continued to be world-class. We weren't doing it necessarily in the most efficient way, but our people have continued to do whatever they can to make sure the client gets the best possible service."

In March, Marsh announced it would not accept contingent commissions on its core U.S. brokerage

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business. Officials in New York and other states had revised agreements with Marsh and its competitors, allowing brokers to resume taking contingent pay on placements. Marsh said that its MMC Agency, personal lines, affinity and program businesses will accept contingents, and Marsh's brokerage operations will continue to accept enhanced commissions and fees from insurers for services rendered to the market. The enhanced compensation is fixed in advance, not related to the placement of coverage and fully disclosed to clients, Marsh noted.

Mr. Glaser said "certain types of carrier revenue streams represent a potential risk of conflicts of interest," but added that Marsh has implemented a system of transparency and internal controls. "Clients want transparency from us—a trusting, transparent relationship, and that's exactly what we want in return," he said.

Mr. Glaser said more than 90% of Marsh's U.S. clients have approved the brokerage accepting enhanced commissions from insurers.



**'Over the next few years, you'll see many acquisitions within our MMC Agency space.'**

Dan Glaser, Marsh Inc.

MMC's global workforce at year-end 2009 was about 52,000, down slightly from 2008, and Mr. Glaser said Marsh has hired several highly experienced brokers this year. "Marsh has reasserted itself as an employer of choice in the brokerage space and has attracted a tremendous amount of talent," he said.

Marsh "has done a phenomenal job of getting rid of businesses that didn't make sense," said equity analyst Meyer Shields, a principal at Stifel, Nicolaus & Co. Inc. in Baltimore. The brokerage improved profit margins despite a sharp drop in fiduciary investment income, he said. "They'll be in a much more favorable environment in the years ahead," he said. "We're getting closer to a hard market, and Marsh is increasing business that's more sensitive to rate changes"—namely, smaller and middle-market business, he said.

MMC's stock closed July 9 at \$23.11 a share. Its 52-week high was \$25.47 and its low was \$18.61.

—By Regis Coccia

## TOP BROKERS

RANK

2



Gregory Case,  
president and CEO

## AON CORP.

## 2009 GROSS REVENUES

\$7,625,000,000 0.0%

## 2009 BROKERAGE REVENUES

\$7,410,000,000 1.5%

In the face of difficult conditions, Chicago-based Aon Corp.'s performance remains strong, with the company's brokerage business posting solid results while Aon makes considerable investments in its client service capabilities and the company's brand.

"When I looked at 2009 for Aon, I think all things considered it's been a pretty exceptional performance," said Stephen P. McGill, chairman and CEO of Aon Risk Services, Aon's risk management and insurance brokerage business.

"In 2009 we achieved for the first time in our history a 20% margin in our brokerage business" despite "an incredibly difficult trading environment," Mr. McGill said.

Aon posted \$7.41 billion in bro-

kerage revenues in 2009, up 1.5% from \$7.30 billion in 2008, making the company the world's second-largest broker in *Business Insurance's* 2010 rankings.

Market and economic conditions have forced Aon to maintain the discipline it brought to operations in 2008 and 2009, Mr. McGill said. "But really the focus is around how we deliver value to our clients in a way that is distinctive, that enables us to be paid appropriately for the work we do, and how we make sure that we operate with our people in a way that's highly effective and also efficient."

The company, he said, is "very much in investment mode," a fact illustrated most recently as Aon announced plans last week to

acquire Lincolnshire, Ill.-based human resources consultant Hewitt Associates Inc. for \$4.9 billion in cash and stock.

Aon plans to operate the new unit as Aon Hewitt under the direction of Russ Fradin, Hewitt's chairman and CEO. The move will expand Aon's consulting capabilities, particularly with clients dealing with employee benefits and health care reform issues.

In a statement affirming Aon's ratings but changing its rating outlook to negative from stable due to the amount of debt in Hewitt transaction and the execution risks associated with so large a deal, Bruce Ballentine, a vp at Moody's

Continued on next page

# Max Capital Group Ltd. and Harbor Point Limited have merged to form Alterra Capital Holdings Limited.

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## Ratings

A.M. Best: A  
S&P: A-  
Fitch: A  
Moody's: A3



Specialty Insurance & Reinsurance



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Investors Service and the rating agency's lead analyst for Aon, noted that the deal "would sharply expand Aon's capabilities in human resource consulting and outsourcing."

The deal also "would give the company a more balanced mix of insurance brokerage and consulting revenues," the Moody's analyst said.

Aon has taken a strategic approach to acquisitions.

Other key recent acquisitions include New York-based Carpenter Moore Insurance Services Inc. in October, which "reinforced our leadership position in the construc-

tion sector," Mr. McGill said, and Jericho, N.Y.-based Allied North America in December, which "gave us tremendous expertise in financial services" and directors and officers liability.

Also in December, Aon acquired Madrid-based FCC Global Insurance Services, the in-house broker "of a Spanish conglomerate heavily involved in construction," Mr. McGill said.

In March, Aon bought Chicago-based J.P. Morgan Compensation & Benefit Strategies, a division of JPMorgan Chase & Co.

"We're very selective where it's going to add real capability," Mr. McGill said. "Also, we're very interested in looking to the future in

building out acquisitions in the emerging markets where there are significant growth opportunities."

Aon continues to roll out its Aon Client Promise, a 10-point value proposition "designed by clients for clients," Mr. McGill said. "It's being embedded in the DNA of the firm and it's all about raising the standard of client excellence as Aon works with its clients around the world," he said.

The success of the Aon Client Promise led the broker to develop a similar document to guide its work with insurers, the Aon Carrier Charter, a 10-point framework aimed at raising broking and underwriting standards as Aon serves its clients.

The broker continues to roll out its Global Risk Insight Platform, a real-time broking and information platform that provides information about insurance placements by industry, geography and local insurance market.

To date, some \$32.5 billion in premium and 500,000 trades have been placed in GRIP.

"It is the world's largest proprietary database of insurance placement data," Mr. McGill said. "It reinforces our commitment to having fact-based insights that can help us better serve our clients."

GRIP has been winning industry recognition, including an Innovation Award from *Business Insurance* this year.

On June 1, what Mr. McGill described as Aon's most significant brand investment ever—the company's sponsorship of the Manchester United soccer team, for which Aon paid a reported \$131.2 million—took effect. "We haven't even really started realizing the full potential of what this is going to do for Aon's brand recognition around the world," he said.

Aon suffered a personal loss in May with the death of Bernard S.Y. Fung, chairman and chief executive of Aon's Asia/Pacific business.

"We were very saddened with the recent loss of Bernie Fung," Mr. McGill said. "Very fortunately, Bernie had put in place a succession plan which resulted in a new senior leader joining the firm at the beginning of this year." That executive, Sandeep Malik, was appointed CEO of Asia Aon Risk Services, joining Aon from Prudential Asia.

Another significant personnel move was Andrew Appel moving

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**'When we look out across the world and we look at the profile of risk increasing, the demands on our business will increase, particularly as the economies start recovering.'**

Stephen P. McGill, Aon Risk Services

into the role of chief operating officer of Aon Corp., while retaining his role as chairman of Aon Consulting.

Looking forward, Mr. McGill sees considerable opportunity for Aon.

"When we look out across the world and we look at the profile of risk increasing, the demands on our business will increase, particularly as the economies start recovering," Mr. McGill said. "And I believe that there's going to be greater demand for consulting services, risk consulting, risk engineering, crisis management, (enterprise risk management), a whole broad spectrum of services which we have within Aon."

Aon's stock closed at \$38.34 on July 9, with a 52-week high of \$44.34 and a 52-week low of \$36.32.

—By Rodd Zolkos

**TOP BROKERS**

**RANK**  
**3**

Joe Plumeri  
chairman and CEO

**WILLIS GROUP HOLDINGS P.L.C.**

**2009 GROSS REVENUES** ↓  
\$3,263,000,000 -5.5%

**2009 BROKERAGE REVENUES** ↓  
\$3,210,000,000 -4.5%

ny has to fall under one of those (four) categories," Mr. Bailey said. "It was a real galvanizing moment for this organization to kind of have that epiphany and clarity on what we do and why we do it."

Mr. Plumeri said it was important to change the paradigm.

"I think the role of the broker has to change to a much more consultative person that has to be able to alert companies as to risk inside their company, which is going to drive insurance buying differently," he said. "The old paradigm would be you have to have (directors and officers liability) insurance, so 'Go get me the cheapest D&O insurance you can.'"

The Willis Cause "is a mission statement, it's a discussion outline, it's a presentation document, it's a

**'I think the role of the broker has to change to a much more consultative person that has to be able to alert companies as to risk inside their company, which is going to drive insurance buying differently.'**

Joe Plumeri, Willis Group Holdings P.L.C.

multifunctional rallying point for this organization," Mr. Bailey said. "Willis is about clients, (so) our revenues are going to come from clients—not from contingent (commissions), not from supplemental commissions, not from selling data, not from making a whole bunch of acquisitions. We're going to run a

business that's basic, simple and focused on the client."

The issue of contingent commissions has been a lightning rod for Willis. Mr. Plumeri and other Willis leaders have said since 2004, following former New York Attorney General Eliot Spitzer's investigation of broker compensation practices, that

the brokerage no longer would accept contingents. In February, after regulatory authorities eliminated a ban on contingents for Willis, Marsh Inc. and Aon Corp., Willis reiterated and heavily promoted its stance.

Mr. Bailey said forgoing contingent revenue forces the brokerage to concentrate with a "laser focus" on clients. But some investor analysts have disagreed with the approach, arguing that it diminishes the broker's profits.

"I think that when you leave contingents out of the arrangement or negotiation, then there's almost an inherent amount of money left on the table," said Meyer Shields, Baltimore-based principal of equity

Continued on page 28

**A**fter finalizing a major acquisition in 2009 and moving its domicile to Ireland at the end of the year, Willis Group Holdings P.L.C. is getting back to basics in 2010, executives at the brokerage say.

A year after finishing the integration of Hilb Rogal & Hobbs Co., which the brokerage merged with Willis North America in 2008 to create Willis HRH Inc. and renamed Willis North America last year, leaders say they are returning their focus to client service.

Willis reported 2009 brokerage revenues of \$3.21 billion, down from \$3.36 billion in 2008, while commercial retail brokerage revenue fell from just shy of \$2 billion in 2008 to just below \$1.9 billion in 2009.

That makes Willis No. 3 in the 2010 *Business Insurance* ranking of the world's largest brokers.

Don Bailey, chairman and CEO of New York-based Willis North America, said other brokers have faced similar declines during the past year. With premium volume falling in the soft market, brokerage revenues inevitably are affected, he said. "Anybody who's got a mature business is going to have that exact same dynamic. A dollar in premium volume two years ago is worth 70 cents today."

In addition to digesting HRH, Willis decided to move its domicile from Bermuda to Ireland last year. Announcing the redomestication last year, the brokerage said it would move to Ireland for "a more stable environment" where it can remain competitive.

The brokerage completed the move at year-end 2009. It continues to be listed on the New York Stock Exchange and its executive offices remain in London.

The firm's restated focus on client service in some ways can be traced to a meeting in Hampshire, England, in late 2009. Chairman and CEO Joe Plumeri, who Mr. Bailey said is adept at challenging the firm's leadership team, started a conversation about the purpose of the company.

"It's a discussion everybody here will tell you is always ongoing," Mr. Plumeri said.

The result of that meeting is what executives at the brokerage call the Willis Cause, a list of the four things they say clients most want from Willis: the best prices and terms, the ability to get claims paid, day-to-day service and expertise in particular industries.

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Insurance Broker Merger & Acquisition Deals  
1997-2009

Rank	Firm	1997 - 2009 # of Deals	2009 # of Deals
<b>1</b>	<b>Marsh, Berry &amp; Co. Inc.*</b>	<b>275</b>	<b>23</b>
2	Hales & Company, Inc.	123	14
3	Reagan Consulting, Inc.	113	7
4	Mystic Capital Advisors Group, LLC	95	11
5	Macquarie Capital Advisors Group, LLC	44	8
6	Bank of America Merrill Lynch	22	2
7	B.H. Burke & Company, Inc.	16	0
7	Harbor Capital Advisors, Inc.	16	0
9	Keefe Bruyette & Woods, Inc.	15	0
9	Sica Consultants, Inc.	15	3
11	North Bridge Advisors, Inc.	13	0
11	Sandler O'Neill & Partners, L.P.	13	1
13	Philo Smith & Company	10	0
14	Credit Suisse (USA), Inc.	9	0

All States // Completed Transactions (limited to top 14)  
Whole deals as reported by SNL Financial, March 3, 2010

**\* MarshBerry has closed 28% of total deal flow since 1997**

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CONTINUED FROM PAGE 25

research at Stifel, Nicolaus & Co. Inc. "If I'm an insurance carrier, it's more valuable to me to be able to tie some component of broker compensation to performance whether that's volumes, profitability or some combination. And to the extent that the economic value of that incentive is removed from the equation entirely, there is simply less value to the insurance carrier and, all else being equal, there's going to be less compensation."

Mr. Bailey said he hears a new story every week of the stance helping the broker's business.

"There's a long list of clients that we have picked up over the years, kept over the years solely because of



**'There's a long list of clients that we have picked up over the years, kept over the years solely because of our (stance on) contingents.'**

Don Bailey, Willis North America

our (stance on) contingents," he said.

Mr. Shields said he doubted the stance would attract a significant amount of new clients. For example, Marsh Inc. has said it will not collect contingent commissions on placements for U.S. and Canadian clients in its core broking opera-

tions, so Willis' stance is not a competitive advantage, he said.

Still, Mr. Shields said he thought Willis had performed well in the past year and said the broker's success in converting HRH's contingent revenue into regular commission flow was part of the reason.

"HRH's weaknesses lined up with

Willis' or Joe Plumeri's strengths, whether it be revenue generation or expense control," he said. "But the timing was very unfortunate both in terms of the recession and because so much of the purchase price was funded through debt. (The) credit crisis made that debt ultimately very, very expensive."

Mr. Bailey said the brokerage met or exceeded all its metrics on the HRH acquisition, including retention of producers and clients.

In addition, Willis is planning new initiatives to grow its business. One is a sales initiative that Mr. Bailey said would be unveiled later this year in North America, but he declined to provide further details.

Plans to increase organic growth will go ahead despite the soft com-

mercial insurance market, Mr. Plumeri said.

"I get a kick out of the fact that one even calls it the soft market," Mr. Plumeri said. "It's the way the market is. Eighteen out of 20 years, if you look back at the history of this business, there's a soft market. Shouldn't you build a business to be able to thrive in the market?"

Senior executive changes at Willis over the past year include the appointment earlier this month of Michael Neborak as executive vp and group chief financial officer. Mr. Neborak succeeds Patrick C. Regan, who left to join Aviva P.L.C.

Willis' stock closed at \$31.50 on July 9. Its 52-week high was \$34.98 and its 52-week low was \$23.92.

—By Zack Phillips



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TOP BROKERS	
<b>RANK</b>	<b>4</b>
 <p>J. Patrick Gallagher Jr., chairman/president/CEO</p>	
<b>ARTHUR J. GALLAGHER &amp; CO.</b>	
<b>2009 GROSS REVENUES</b>	\$1,729,300,000 <span style="float:right">▲ 5.1%</span>
<b>2009 BROKERAGE REVENUES</b>	\$1,711,683,000 <span style="float:right">▲ 6.2%</span>

Midway through 2010, Arthur J. Gallagher & Co. has picked up where it left off in 2009 by continuing its growth-through-acquisition strategy while maintaining close relationships with its clients.

Coming off of a record 37 acquisitions in 2008, the Itasca, Ill.-based brokerage pulled off another 15 deals in 2009 and has completed six deals already in the first half of this year.

Gallagher's growth-through-acquisition strategy continues to pay off and Gallagher Chairman, President and CEO J. Patrick Gallagher Jr. sees no reason to stop.

"2009 was a very good year for us and, so far, this year has been as well," Mr. Gallagher said. "We're in a unique situation in that we are consistently growing despite the soft marketplace."

Gallagher's brokerage revenues rose 6.2% to \$1.71 billion in 2009 from \$1.61 billion in 2008. Its commercial retail brokerage revenue rose 13.4% to \$713.5 million from \$629.3 million. That makes Gallagher the world's fourth-largest insurance brokerage in the 2010 *Business Insurance* ranking.

Aiding that steady climb was the early 2009 acquisition of Liberty Mutual Group Inc.'s Midwest and Southeast middle-market commercial property/casualty and its Wausau Signature Agency business.

The deal, which included an initial payment of \$44 million in cash and stock and additional payments up to \$120 million, was the biggest the brokerage had ever completed, Mr. Gallagher said, adding that it also helped the brokerage "overcome the head winds of the soft

market" and put it in position to continue its upward revenue trend through 2010.

"We've put ourselves in a strong place," Mr. Gallagher said. "If the market were to just flatten out a little bit, we'd probably put ourselves up even further."

Gallagher obtains about 20% of its revenue from fees while the remaining 80% is from commissions and investments, with commissions up 8.8% from the previous year and fees up 13%.

Mr. Gallagher said the brokerage has a longtime stance of automatically disclosing supplemental compensation paid by underwriters. He added that most of Gallagher's clients prefer the brokerage do business on commission.

"I think we're better off this way and it helps us stay competitive," Mr. Gallagher said.

He said Gallagher is not trying to compete with the likes of Marsh & McLennan Cos. Inc., Aon Corp. or Willis Group Holdings P.L.C.—the world's three largest brokers. Instead, Gallagher is focused on the niche markets in which it specializes.

It's that expertise in the niche markets that separates Gallagher from the large brokers targeting middle-market firms, said Dean Evans, New York-based equity research analyst with Keefe, Bruyette & Woods Inc. He also said Gallagher's restructuring efforts, which included reducing its workforce by about 400 employees, have given the brokerage a good footing despite declining market conditions.

"There's not too much extra fat to cut," Mr. Evans said. "As with any broker, it's a difficult environment because pricing is going down and exposures are down and organic growth is down...but they've hunkered down and they've actually been getting some market expansion."

While the brokerage arm of Gallagher has held strong during the soft market, its third-party claims adjustment practice, Gallagher Bassett Services Inc., has experienced "some margin pressure" as a result of fewer claims being made, Mr. Evans said.

However, Messrs. Evans and Gallagher agree that having the service under the Gallagher name provides a diversification and is a strength

Continued on page 30

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CONTINUED FROM PAGE 28

for the company.

"It's a very unique service for brokerages to have and it's the type of service that most brokerages have gotten away from," Mr. Gallagher said. "I love that part of the business because it is at the crux of helping clients reduce their losses and risk. When you look at the pie, the lion's share of costs is losses; and if you focus on adjudicating losses in a better fashion, that is where you can reduce the cost of risk."

Acquisitions could pick up toward the end of this year, Mr. Evans said, adding that its unlikely Gallagher will complete another Liberty Mutual-type deal in the near future. He said it is likely that Gallagher will continue to make acquisitions of firms that have about \$3 million to \$10 million in revenue because those seem to "make the most sense" at this time.

"If you see a firm making a lot of \$50 million acquisitions, you start to get a little worried because those are the ones that can hurt you if they don't work out," Mr. Evans said.

Mr. Gallagher said the brokerage will continue to be a valuable asset and provide service to its clients.

"If we just keep doing a good job of putting the right people on business and continue growth through good acquisition, then we will continue to grow," Mr. Gallagher said.

"Everybody uses a broker because we add value. People need our help year in and year out," Mr. Gallagher said. "Insurance is the oxygen of the industry."

Gallagher's stock closed July 9 at \$25.34 a share. Its 52-week high was \$27 and its 52-week low was \$20.55.

—By Jeff Casale

TOP BROKERS	
<b>RANK</b> <b>5</b>	
Neal R. Aton, president and CEO	
<b>WELLS FARGO INSURANCE SERVICES INC.</b>	
<b>2009 GROSS REVENUES</b> \$1,894,754,000	↓ -5.9%
<b>2009 BROKERAGE REVENUES</b> \$1,560,908,000	↓ -10.5%

**W**ells Fargo Insurance Services Inc.'s brokerage revenue dropped 10.5% in 2009 to \$1.56 billion.

The revenue decrease from \$1.74 billion in 2008 moved Chicago-based WFIS from the world's fourth-largest insurance brokerage to the fifth-largest in *Business Insurance's* 2010 rankings.

Soft market conditions contributed to WFIS' revenue decline, although company officials said the addition of Wachovia Insurance Services Inc. was a major reason why revenue fell. Wachovia was No. 12 in the 2008 *BI* ranking before its late 2008 acquisition by WFIS.

WFIS spent 2009 integrating its former competitor rather than seeking other acquisitions that might have helped boost WFIS' revenue, said Chairman David J. Zuercher.

"Part of the reason why our revenue declined is because of being more focused on the Wachovia

integration and the acquisition, which was clearly the largest integration or acquisition we have ever done," Mr. Zuercher said. "We had not been actively in the market looking for other acquisitions throughout 2009, so the revenue lift that we normally would have gotten from a series of acquisitions we didn't get in 2009."

The Wachovia integration now is nearly complete, although "we have a couple of large offices more to consolidate, but that will be done in the course of this year," said Neal R. Aton, WFIS president and CEO.

Integrating Wachovia has been a "stunning success" in combining complementary cultures and talent pools that have boosted WFIS' expertise in specific industries and

**'Part of the reason why our revenue declined is because of being more focused on the Wachovia integration and the acquisition, which was clearly the largest integration or acquisition we have ever done.'**

David J. Zuercher, Wells Fargo Insurance Services Inc.

helped bolster its sales to "risk-management size" insurance accounts, Mr. Aton said.

But the economy likely is another factor weighing on WFIS, sources said.

Not since World War II has there been negative growth in gross written insurance premiums nationwide, as was the case in 2009, and WFIS likely is very sensitive to current economic conditions, said John Wicher, principal of John Wicher & Associates Inc. in San Francisco.

"Organic growth has been flat to down for most of the brokerage community, but 10% is a pretty healthy number," Mr. Wicher said of the revenue decrease.

WFIS' commercial retail brokerage revenue was just above \$1 billion in 2009, down from \$1.21 billion the previous year. WFIS said 98% of its 2009 retail brokerage revenue resulted from commissions and 2% was from fees.

The broker accepts contingent commissions.

To help bolster revenue, WFIS has increased its emphasis on cross-selling insurance services to bank customers, company officials said. WFIS has pursued cross-selling throughout the years, but there is renewed emphasis on the strategy,

The idea is to create "an enterprisewide practice to serve that vertical," market Mr. Aton said. That way, WFIS can serve commercial customer needs for multiple products such as credit and insurance coverage.

"We are teaming up the right broker to talk to the right banker," Mr. Aton said.

Overall, cross-selling insurance has proven difficult for bank-owned operations because of cultural differences between banking and lending institutions and insurance brokers, Mr. Wicher said.

But Wells Fargo has had years to hone its practices, although the broker does not make cross-selling numbers readily available, sources said.

While some banks have failed in the insurance business and others question the value of investments they made in insurance brokerages, WFIS' bank parent has found its insurance services unit to be essential, said John M. Wepler, president of Willoughby, Ohio-based Marsh, Berry & Co. Inc.

"They are a force that can't be ignored by the parent company," which means they get ample support, Mr. Wepler said.

While WFIS did not attempt large acquisitions in 2009, it bought small agencies.

In December, for instance, WFIS acquired iLeader Solutions L.L.C., an insurance brokerage in Tampa, Fla., and Orca Bay Benefits L.L.C., an employee benefits firm in Mercer Island, Wash.

WFIS' 2009 purchases focused on acquiring talent and expertise in specific fields, WFIS said.

"The small fold-ins are the one area we didn't want to shut off in 2009 as we went through the Wachovia integration," Mr. Zuercher said.

Those acquisitions have continued in 2010. On July 1, for example, WFIS said it had acquired Albuquerque, N.M.-based commercial brokerage Kinney Agency Inc.

With the Wachovia integration complete, WFIS will return to evaluating large acquisitions, Mr. Zuercher said.

Benefits business accounted for a significant amount of WFIS revenue. It generated \$242 million in revenue during 2009, relatively unchanged from the prior year.

Mr. Aton said the acquisition of Wachovia and the 2007 acquisition of ABD Insurance & Financial Services bolstered WFIS' employee benefits credibility. He intends to continue growing that business to provide additional services for existing customers and help attract new ones.

"I have an appetite for that business because I think it's an area where our customers are going to be looking for solutions from their insurance brokers," Mr. Aton said.

During 2009, WFIS saw its number of retail offices drop to 170 from 213 in 2008. That was largely due to the integration of Wachovia offices, company sources said.

But customer service levels have not suffered, Mr. Aton said. In fact, WFIS' technology investments have improved customer service, he added.

At the close July 9, Wells Fargo's stock was \$27.00 vs. a 52-week high of \$34.25 and a low of \$23.17.

—By Roberto Cenicerros

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**TOP BROKERS**

**RANK**  
**6**



H. Wade Reece,  
chairman and CEO

**BB&T INSURANCE SERVICES INC.**

**2009 GROSS REVENUES**  **16.8%**  
\$1,202,909,300

**2009 BROKERAGE REVENUES**  **12.4%**  
\$1,081,485,400

lion in annualized revenues, specializes in high-volume, middle-market excess and surplus lines. Integrating TAPCO as a division of Southern Cross Underwriters, also an MGA, is nearly complete, Mr. Reece said. "The two units have come together very well and also grown in the process, so it's been a great story," he said.

While an uncertain economy, tight credit markets and soft insurance market conditions brought much of the sector's M&A activity to a halt last year, BB&T anticipates a "moderate" increase in the second half of this year.

"Things were so uncertain last year that everyone played wait-and-see," Mr. Reece said. "Conditions are improving and we would really

like to do some deals in the second half of the year."

High-quality agencies with good sales cultures continue to be attractive targets for BB&T. While the broker has built a strong presence in U.S. Southeast and Mid-Atlantic, BB&T is eyeing more opportunities in California after its 2008 acquisition of San Diego-based UnionBanc Insurance Services Inc., Mr. Reece said.

The UnionBanc deal added to California operations that already include CRC and large-account commercial broker McGriff, Seibels & Williams Inc. As the California economy improves, BB&T anticipates investing in more retail agencies in the state to expand on its foundation, Mr. Reece said.

BB&T also has faced some challenges in the past year.

Its CRC unit suffered a hit in May when more than 120 employees in Chicago, Philadelphia and California left the wholesaler to join Chicago-based Ryan Specialty Group Inc. Litigation is pending and observers say it's too soon to determine the financial loss as a result of the departures.

Mr. Reece characterized the situation as "extremely disappointing" and "disruptive," but stressed that CRC will continue to invest in and rebuild the affected offices.

Although BB&T often has followed in the footsteps of its parent in seeking acquisitions, "there seems to be a shift under way to a more national approach," said Jim

Campbell, a principal with Reagan Consulting Inc. in Atlanta. The California deals "have really opened things up, and that's liberating. I think it will allow them to pursue what they view as the best opportunities," regardless of its bank parent, he said.

"They have made a commitment to acquire outstanding firms and they've paid a premium in some cases, but if you look at where the organization is today, it's quite formidable," said John Wicher, a principal at San Francisco-based John Wicher & Associates Inc., which provides advisory and investment banking services.

One of the most impressive

Continued on next page

**B**B&T Insurance Services Inc. remains focused on growth and posted double-digit revenue gains last year despite market conditions that remain challenging, a top executive said.

Raleigh, N.C.-based BB&T's brokerage revenue increased 12.4% to \$1.08 billion in 2009, vaulting it to No. 6 among the world's largest insurance brokers in the 2010 *Business Insurance* rankings, up from No. 8 the previous year.

"We finally broke the billion-dollar barrier, and it's exciting," said H. Wade Reece, chairman and CEO.

The broker, a unit of bank parent BB&T Corp., reaped the benefits of an active acquisition year in 2008, when it made 11 deals worth \$212 million in annualized revenue. Several year-end 2008 purchases, including Orlando, Fla., retail agency J. Rolfe Davis Insurance, "really gave us a lift in 2009," Mr. Reece said.

BB&T's appetite for new acquisitions continues to be strong, although market conditions result-

**'We finally broke the billion-dollar barrier, and it's exciting.'**

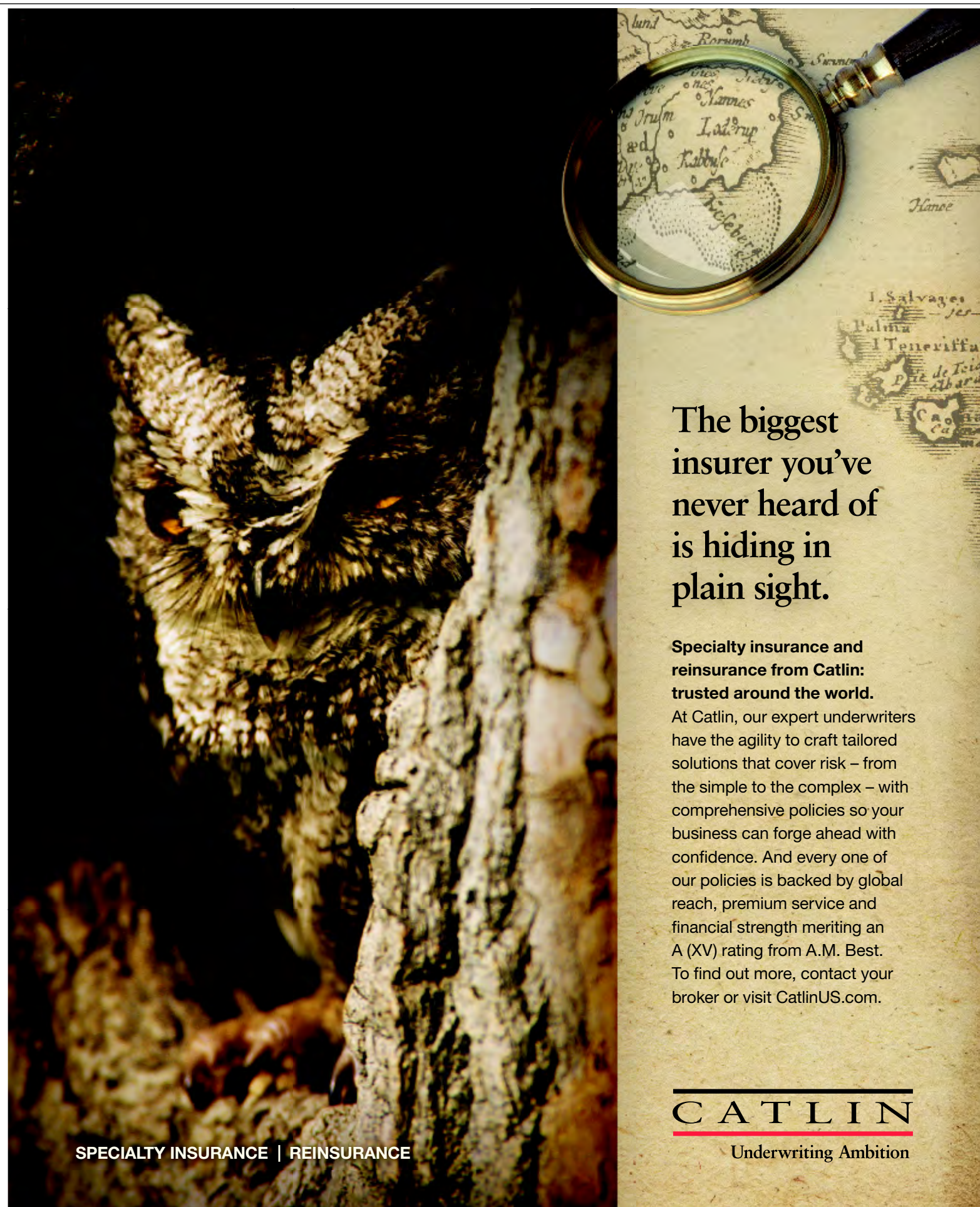
H. Wade Reece,  
BB&T Insurance Services Inc.

ed in just one deal in 2009. In November, BB&T acquired Fort Myers, Fla.-based retail agency Oswald Trippe & Co. Inc. to round out its Florida franchise. The deal added about \$25 million in annualized revenue, Mr. Reece said.

The purchase was consistent with BB&T's strategy of seeking acquisitions where its parent has strong banking operations to leverage cross-selling opportunities and organic growth. The Oswald Trippe deal came after BB&T Corp.'s takeover of Colonial BancGroup, which had much of its operations in Florida, from the Federal Deposit Insurance Corp.

On the wholesale level, BB&T posted a 35% gain in 2009 with \$311 million in revenue. The boost was driven largely by BB&T's wholesale unit CRC Insurance Services Inc.'s December 2008 purchase of Burlington N.C.-based managing general agency TAPCO underwriters Inc.

TAPCO, with roughly \$65 mil-



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aspects of BB&T's acquisition strategy is "they don't fool with the secret sauce," Mr. Wicher said. When integrating acquisitions, "they let each one of those assets continue to do what they do well."

When acquisitions resume, observers foresee challenges.

"Assuming they return to normal acquisition activity, they will find the acquisition marketplace is getting a little more competitive again," said Mr. Campbell. The biggest challenges BB&T faces, however, are the same challenges the industry is facing—a soft market and a weak economy, he said.

While much of BB&T's 2009 revenue was fueled by acquisitions,

organic growth remains a "priority" Mr. Reece said. While BB&T posted organic growth of just 0.4% last year, "given the overall economic conditions, we were happy with that," Mr. Reece said.

"Everything really has to be viewed through the perspective of a continued soft market and tough economy," Mr. Campbell said. In a year that saw many brokers experience negative organic growth, for BB&T to realize "even just a little bit of positive growth is good," he said.

New business plus retaining current clients is essential and BB&T in 2009 achieved a 93% client retention rate, Mr. Reece said. "If we focus on understanding our clients and giving great service, they reward us by sticking with us."

In addition, beefed-up producer support, especially in the large-account arena, has helped to generate new business that Mr. Reece described as "our lifeline."

BB&T also has focused on enhancing its offerings, including additional products and services in the specialty and directors and officers lines, and more sophisticated captive and alternative risk capabilities, Mr. Reece said.

While difficult conditions persist across the industry, analysts say BB&T is well-positioned for when the market turns.

BB&T Corp.'s stock closed at \$28.18 on July 9. Its 52-week high was \$35.72 and its 52-week low was \$19.91.

—By Colleen McCarthy

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#### TOP BROKERS

RANK  
**7**



J. Powell Brown,  
president and CEO

#### BROWN & BROWN INC.

**2009 GROSS REVENUES**   
\$967,877,015 -1.0%

**2009 BROKERAGE REVENUES**   
\$964,862,833 -0.1%

**B**rown & Brown Inc.'s achievements and its challenges bear a certain resemblance, says President and CEO J. Powell Brown.

"Our greatest achievements and our greatest challenges are a mirror of each other," said Mr. Brown. "Our greatest achievements have been continuing to earn our clients' trust and confidence each and every year, and navigating through a very bumpy economy," he said.

"Our biggest challenge is growing organically in a double-dip environment, 'double dip' meaning insurance rates are down and insurable exposure units are shrinking," said Mr. Brown, who succeeded his father as CEO on July 1, 2009, at the firm co-founded by his grandfather as Brown & Owen Insurance Agency in 1939.

Brown & Brown's brokerage revenue reflected the impact of those challenges. Brokerage revenue remained virtually flat, dropping to \$964.9 million in 2009 from just under \$966 million in 2008.

That put Brown & Brown at No. 7 in *Business Insurance's* 2010 ranking of the world's largest insurance brokers.

Commercial retail brokerage revenue dropped less than 1% to \$548.1 million from \$553.1 million a year earlier. Wholesale brokerage revenue dropped 7.7% to \$140.2 million.

But "wholesale business is doing better this year," Mr. Brown said. "It is volatile in terms of rate swings. It's very competitive, but it's faring better than it did the prior year."

And reinsurance and employee benefits revenues rose. Reinsurance

revenue increased 6.6% to \$17.5 million and employee benefits revenues rose 5.6% to \$158.2 million.

"We have more questions about health care from today than ever before," said Mr. Brown. "It's like an insatiable thirst of knowledge about it."

Profits, however, fell 7.7% in 2009 to \$153.3 million from \$166.1 million the previous year.

And the downward trend continued during the first quarter of 2010, with profits dropping 8.1% to \$44.1 million from \$48.0 million during the same period of 2009.

"I'm very happy with our team, but our results continue to be impacted by a very bumpy economy," Mr. Brown said.

"We are a very decentralized company," he said. "Regardless of the economic conditions, hiring and staffing decisions are made at a very local level."

Mark Dwelle, an insurance analyst with RBC Capital Markets in Richmond, Va., agreed about the impact of the soft market and weak economy.

"They've struggled with organic growth, which I don't think is primarily their problem—I think it's a soft economy and weak insurance prices," Mr. Dwelle said. "Their track record on acquisitions last year was a little less than they've normally done, so that didn't provide the offset that they've normally gotten from that."

"Looking ahead, my sense would be there are some signs of light at the end of the tunnel, but they still need some lift in the economy and firming in insurance prices to get back to Brown & Brown that we knew in most of the 2000s," Mr. Dwelle said.

Brown & Brown completed 11 acquisitions in 2009, and nine through July 2, 2010. Mr. Brown noted in the company's annual report that the 11 acquisitions generated \$26.5 million in revenue for Brown & Brown last year, the smallest amount of annualized revenue acquired since 2000.

Brown & Brown estimates that its acquisitions thus far this year will generate annualized revenues of \$24.6 million.

He said the stock of potential acquisitions remains attractive.

"There are a number of independent agencies out there," Mr. Brown said. "We think there are lots of potential opportunities in the

future. It just depends on when somebody's considering selling."

He also said Brown & Brown's acquisition philosophy is not driven by geography. "It's all about the people," he said.

Mr. Brown said he's "very pleased" with the performance of Brown & Brown's sole international operation, London-based Decus Insurance Brokers Ltd.

"They do a little bit of a bunch of stuff—binding property, transactional property, some professional liability—we're very pleased with it," he said.

Mr. Brown described Brown & Brown's target market as accounts that generate \$2,500 to \$250,000 in commissions.

"We think the middle market is a wonderful space to be in, and think there continues to be lots of growth and investment opportunities in the middle market," he said.

The vast majority of middle-market companies do not have risk managers and are "looking for opportunity to save money in any way they can," he said.

Concerning the continuing issue of contingent commissions, Mr. Brown said, "We have disclosed the existence of contingent commissions for a long time—both publicly and to our clients." He said contingent commissions are "an integral part of the insurance process and are not negative. They are actually a positive in terms of linking the interest of the insured, the agent and the insurance company."

Brown & Brown will undergo a major personnel change on Aug. 1, said Mr. Brown. That's when Jim W. Henderson, its vice chairman and chief operating officer, will retire after 25 years with Brown & Brown.

That's the second major retirement at the brokerage in little more than a year. Mr. Brown's father—J. Hyatt Brown—retired as CEO effective last July 1. The elder Mr. Brown remains as nonexecutive chairman, and remains quite active in retirement, according to his son.


He is "working 30 to 50 hours a week, involved in acquisitions and people recruiting, enhancing and selling business—he's a good salesman," said the younger Mr. Brown.

Brown & Brown's stock closed at \$19.47 on July 9, with a 52-week high of \$20.44 and a 52-week low of \$16.36.

—By Mark A. Hofmann


**TOP BROKERS**


**RANK**  
**8**



Dominic Burke,  
group chief executive

**JARDINE LLOYD THOMPSON  
GROUP P.L.C.**

**2009 GROSS  
REVENUES**  **-6.0%**  
\$971,060,300

**2009 BROKERAGE  
REVENUES**  **-3.5%**  
\$957,983,370

Jardine Lloyd Thompson Group P.L.C. Group Chief Executive Dominic Burke expects revenue growth this year as the London-based brokerage continues to build its specialty, reinsurance and employee benefits businesses despite a challenging environment.

JLT saw gross revenues rise 11.3% to £620.1 million (\$971.1 million) and its brokerage revenues increase 14.3% to £611.7 million (\$958 million) in 2009 compared with 2008.

"We have grown the business against the fierce head winds of a soft insurance market, a global economic downturn and considerably reduced investment income from lower interest rates," Mr. Burke said.

"And in April we reported that we were seeing encouraging levels of organic growth again in 2010," he

said in noting that organic growth will continue to define JLT's plans to grow the business.

However, the pound's weakness against the U.S. dollar in 2009 compared with 2008 turned a solid gain in pounds into a slight decline when converted to dollars.

JLT made several significant acquisitions during the past year, including HSBC Actuaries & Consultants Ltd. in December and iimia Wealth Management in January, both to bolster its employee benefits offering.

"We have completed 25 acquisitions at a cost of nearly £100 million since the beginning of 2007 and this is a trend that I see continuing," Mr. Burke said of the brokerage ranked No. 8 in *Business Insurance's* 2010 rankings of the world's largest brokers. "Acquisitions for JLT are only made to improve our competitiveness in the territories in which we trade and disciplines in which we specialize."

JLT is in a more financially healthy state than many of its rivals, carrying relatively low levels of debt with revenues growing faster than expenses, said Eamonn Flanagan, head of the Liverpool, England, office at Shore Capital Group Ltd.

JLT also has grown its business through recruitment, with notable hires in aviation, financial lines, marine, reinsurance and benefits.

The main sources of revenue growth were from the London market and retail insurance businesses, which saw 2009 revenues increase by £39.1 (\$61.2 million) million to £250.4 million (\$392.1 million) and by £32.3 million (\$50.6 million) to

£269.5 million (\$422.1 million), respectively.

"Last year was really about our London-market businesses where we saw substantial improvements in performance in our specialty, wholesale and reinsurance operations," said Mr. Burke.

JLT continues to build its reinsurance broking business: JLT Reinsurance Brokers Ltd. posted a 12% rise in reinsurance revenues in 2009 at £53.5 million (\$83.8 million). JLT Re launched Jan. 1, 2006, adding the acquired reinsurance business of Harman Wicks & Swayne Ltd. in June 2008.

JLT also has been building its aerospace broking business, which is part of JLT Re, and made some key appointments in 2009.

Jardine Lloyd Thompson Ltd., the broker's specialty and large-account corporate business, posted revenue growth of 14%, rising to £131.5 million.

"As an independent specialty broker focused on providing bespoke service, JLT Ltd. is proving an attractive proposition for major corporates, evidenced by the degree of success we have had in winning new global clients," Mr. Burke said. "We have had success right across our specialty areas from construction, real estate, energy and marine, life sciences, through to financial risks and telecommunications."

JLT's stance against contingent commissions also is part of the broker's offering, said Mr. Burke. Incentive commissions paid by insurers in 2009 amounted to £6.9 million (\$10.8 million), less than 1% of the

group's revenue. The commissions were for "facilities with longstanding partners" and relate to "small binder fees," he said.

JLT has a "complete transparency" policy on revenue with clients and would like to see a level playing field on contingent commissions. "We believe that some brokers are taking a backwards step toward accepting contingent commissions again, but we question how such commissions can possibly square with transparency and a broker's duty of care to its clients," Mr. Burke said.

Another differentiator for JLT is that it operates a network of partner brokers that can service the overseas subsidiaries of clients in 130 countries.

"We have great aspirations for JLT Network as a conduit to service our multinational clients, for insurance broking, employee benefits, and as a distribution channel for our specialist, wholesale and reinsurance businesses," said Mr. Burke. Developing international partners "is an area where we expect to make some interesting moves."

The broker withdrew from the U.S. retail market in 2006, but continues to operate in the wholesale market. "JLT has no retail representation in the U.S. and I see no circumstances where we would return. Today, we are winning market share in the U.S. working hand in hand with U.S. independents," he said.

One area where 2009 growth was "disappointing" was JLT's U.K. employee benefits business as clients' discretionary spending declined. "This year has started with encourag-

ing signs that employee benefits is returning to normal and we are busy consulting with clients on pension schemes and employee benefits as they move away from providing defined benefits," Mr. Burke said.

In addition to acquisitions, JLT launched BenPal, its online employee benefits management system that he said already has added about 30 new clients.

The broker also has been developing its international employee benefits offering for multinational clients in Asia, Australasia and Latin America.

Overall, revenue growth was particularly strong in Asia and Latin America where JLT has been winning new business, said Mr. Burke.

Revenues from Asia grew 25% to £50.9 million (\$79.7 million) in 2009, driven mainly by the expansion of JLT's employee benefits businesses and recruitment in aviation, energy and construction.

Latin American revenues grew to £28.5 million (\$44.6 million, with strong growth in construction, energy and employee benefits business, and from Brazil, where JLT made several new appointments in its retail and reinsurance businesses.

Strong organic growth helped JLT increase its aftertax group profit by 13% to £73.3 million (\$114.8 million) in 2009. The profit also reflected "effective cost controls" that were achieved without the need to reduce head count, said Mr. Burke.

JLT stock closed July 9 at £5.55 a share. Its 52-week high was £6.04 and its 52-week low was £3.99.

—By Stuart Collins

**TOP BROKERS**

**RANK**  
**9**



David M. Lockton,  
chairman

**LOCKTON COS. L.L.C.**

**2009 GROSS  
REVENUES**  **4.4%**  
\$774,280,000

**2009 BROKERAGE  
REVENUES**  **4.5%**  
\$765,885,000

Lockton Cos. L.L.C. continues to flourish despite the difficult economic environment, its leaders say.

The privately held Kansas City, Mo.-based broker reported \$765.9 million in brokerage revenues in 2009, a 4.5% increase from the previous year, making it No. 9 in *Business Insurance's* 2010 ranking of the world's largest brokers.

Chairman David M. Lockton said the plan is to keep Lockton a privately held firm.

"We do believe that in the insurance brokerage and risk consulting business, our clients are best served by a private enterprise whose first loyalty is to the client and not to the shareholder, and so we intend

to forever remain privately held," he said.

In response to the economy, "We have redoubled our efforts to make sure our clients are presented in the marketplace to their advantage," said President and CEO John Lumelleau. As client risk exposures have declined, "we have helped them position themselves with the underwriting community in a more advantageous way."

At the same time, the economy has "given us great opportunities from the standpoint of new client growth. There are companies around the world that need the assistance and advice of a company like Lockton," so "it's a double-edged sword," Mr. Lumelleau said.

Lockton's ability to achieve more than 4% organic growth in this environment "really speaks to the success" of its business model, said John Wicher, principal of John Wicher & Associates Inc. in San Francisco.

Lockton's revenue split last year was 49% U.S. property/casualty, 28% international, 20% U.S. benefits and 3% affinity business.

Lockton's clients range from small firms to Fortune 50 companies. It has a client retention rate of more than 95%, its leaders say.

"Our client base runs the gamut from mainstream, Main Street America to the largest multinational companies around the world," said Mr. Lumelleau.

Its Fortune 1000 clients now total 150, said a spokesman.

Mr. Lockton said one area of emphasis throughout the past year has been international business, in part because most international products "are not as vulnerable as the U.S. casualty products are to the marketplace."

Lockton opened a Dubai, United Arab Emirates, office last year and is in the process of adding a Beijing office to its Shanghai operation as well as a new office in Minneapolis. It also has opened an office in Rio de Janeiro.

The broker this year also obtained an equity holding in Seoul, South Korea, insurance broker Insurance Management Inc., which has been renamed Lockton Cos. (Korea) Inc., and made an investment in Perth, Australia-based broker Australian Reliance Pty. Ltd. Details of the transactions have not been announced.

"We have great anticipation of a lot of growth in the Asian market this year," including China, Singapore, Thailand and Hong Kong, as well as Mexico, Mr. Lockton said.

The company also continues its partnership with Montreal-based BFL Canada, under which the brokerages help each other's customers.

Mergers and acquisitions remain a possibility, Mr. Lumelleau said. "We'll consider opportunities wherever they make sense for us," he said.

Lockton, which also has moved its London office to a new location, this year sold its insolvency practitioners insurance business for an

undisclosed amount to London-based Amlin P.L.C., which cut its workforce by 40. "It was a peripheral business," said Mr. Lumelleau.

Among new developments this year is Lockton's establishment of a health reform advisory practice, which has "been a catalyst for very significant discussions with our clients and prospects around sorting out the confusion of details of the health care legislation," Mr. Lumelleau said. The practice, which includes more than 25 consultants, physicians and analysts throughout the country, is led by Senior Vp and Director of Compliance Ed Fensholt. It is available to all Lockton clients.

It has already served more than 1,500 people through in-person summits, online programs and weekly health reform updates, according to a spokesman.

Meanwhile, Lockton's existing health risk management unit that continues "to predict cost trends and implement strategies" is "naturally complementary" to its health reform advisory practice, Mr. Lumelleau said.

New initiatives this year include a strategic client engagement process, "which helps our clients to develop their risk management objectives, develop plans for achieving those objectives and direct their resources to the areas of greatest benefit," Mr. Lockton said.

On the technical side, Lockton is developing an analytic risk metric resource, which will allow Lockton

to gather and share data on property/casualty transactions in various industries and track property/casualty insurance placements.

In conjunction with Houston-based Rice University, Lockton also has developed a securities class action loss estimate tool. With SCALE, "we've built a database that helps clients better define their exposure to (directors and officers) actions," said Mr. Lockton.

Lockton's employee benefits revenues increased 6.5% in 2009 to \$174.1 million, an area Mr. Lumelleau said is expected to continue Lockton's growth.

"In the face of an amazingly soft market on the insurance side," Mr. Lumelleau said Lockton continued to attract new clients last year, increasing its wholesale revenue 1% to \$49.1 million. "It's been a very important part of our growth strategy around the world," he said.

Lockton's reinsurance revenues increased 83.6% to \$12.9 million in 2009, a major improvement over a 30.3% drop in that category in 2008. The dramatic change reflects an anomaly that occurred in 2008 when the reinsurance markets tightened certain lines of coverage and the markets moved to a quota-share basis, which changed the way policies are billed, said Mr. Lumelleau.

The broker continues to accept contingent commissions, but all such data is shared with clients up front, Mr. Lumelleau said.

—By Judy Greenwald

**TOP BROKERS**

**RANK**  
**10**



Patrick Lucas,  
chairman and CEO

**GRAS SAVOYE & CIE**

**2009 GROSS REVENUES**  
\$776,179,500 ↓ -2.7%

**2009 BROKERAGE REVENUES**  
\$754,719,600 ↓ -4.0%

(\$786.4 million) in 2008 making Gras Savoye the 10th largest brokerage in the 2010 *Business Insurance* ranking.

The euro's weakness against the U.S. dollar in 2009 compared with 2008 turned a slight gain in euros into a slight decline when converted to dollars.

The soft market for most lines of insurance affected Gras Savoye's revenue growth, Mr. Lucas said.

"In most lines, competition is extremely aggressive. The market is still soft in most lines and there are no signs of hardening," Mr. Lucas said. "This means we have to give more value for less money."

The financial crisis also has affected the brokerage's revenues, he said.

For example, an increase in company bankruptcies has reduced demand for employee benefits business and numerous large construction projects have been postponed or canceled, which also has affected insurance demand, he said.

But Mr. Lucas said he is pleased with the way Gras Savoye has been able to weather these difficulties.

While French insurers' revenue grew 9% to more than €200 billion (\$278.8 billion) in 2009, their net income dropped 34% to €6.2 billion (\$8.64 billion), according to the Fédération Française des Sociétés d'Assurances. Challenging economic conditions hit property insurers the hardest, according to the Paris-based insurance association.

Gras Savoye, which started in

1907 as a family firm in Lille, France, and became the largest broker in France, has a significant position in most major areas of insurance.

"Over the past 20 years, we have been trying to build a strategic position in each line of insurance," Mr. Lucas said. "I believe we have reached a strategic size for most areas of insurance," he said.

This enables the company to offer clients a broad selection of products. If a client buys property coverage via Gras Savoye, for example, they may then seek to buy fine art coverage or equine coverage via the brokerage too, said Mr. Lucas. This is one way Gras Savoye is able to attract and retain clients, he said. "We are able to give cross-fertilization."

One area that Mr. Lucas sees as having growth potential is employee benefits in France and abroad.

"Although we are the No. 1 (broker) for health care and employee benefits in France, we would still like to grow," said Mr. Lucas, who said employee benefits accounts for about 30% of the broker's business.

He noted that Gras Savoye has begun broking employee benefits business in Africa, for example. In recent years, Gras Savoye has expanded from its base in France, where it has 30 branches, and now has offices in 40 countries.

As well as growth in Europe, Gras Savoye now has a significant presence in the Middle East and Africa. This year, Gras Savoye opened Gras

Savoye Gulf Insurance Brokers Broker L.L.C. in Abu Dhabi.

This, the company said, completes its network in the Mediterranean/Middle East area. The brokerage opened an office in Egypt last year and also has branches in Algeria, Lebanon, Morocco and Tunisia.

Gras Savoye is well-established in French-speaking African countries and may seek further growth in the region, Mr. Lucas said.

"We may expand in English-speaking countries in Africa. There is no urgency, but if there is an opportunity that makes sense," then the brokerage may grow its African presence. "But there is no (specific) plan at this time," he said.

Mr. Lucas said that Gras Savoye's usual method of expansion is to grow organically rather than by acquisition.

Gras Savoye has been an associate company of Willis Group Holdings P.L.C.—the world's third-largest brokerage, according to *Business Insurance's* ranking—since 1997 when Willis acquired a 33% stake in Gras Savoye. Willis' stake increased to 48.6% of voting rights until last November, when Willis and the family shareholders of Gras Savoye announced a reorganization of Gras Savoye's capital.

Under the new agreement, Paris-based private equity firm Astorg Partners acquired 33.3% of the voting rights of a new holding company while Willis and the Gras Savoye family shareholders sold some of

their stake to Astorg Partners and rolled over the remainder into the new holding company.

Under this arrangement, Willis and Astorg Partners hold equal stakes of 31.8% in Gras Savoye and each have 33.3% voting rights on the company's board. The remaining stake is held by a pool of Gras Savoye employees.

The deal also gives Willis the option to buy 100% of the new holding company in 2015.

Willis used about \$160 million of its proceeds from reducing its stake to pay down debt, but said it remained fully committed to its partnership with Gras Savoye.

Gras Savoye's links with Willis are of great use to the brokerage when targeting large, international business, Mr. Lucas said. For such business, "you need a network," he said.

Gras Savoye often benchmarks itself against Willis and the links with Willis benefit both parties, he said.

During the coming years, the cooperation between the two firms likely will increase, he said.

One area where Willis and Gras Savoye's thinking is aligned is on the thorny issue of contingent commissions, Mr. Lucas said.

The brokerage has not taken any income in contingent commissions since 2004 except in very rare cases where it acts as an agent, he said. The number of such cases is on the decline, he added.

—By Sarah Veysey


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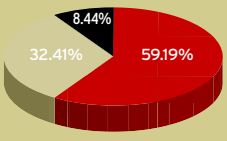
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**[BUSINESS TYPE] AGENT/BROKER**  
 ALEXANDER G. GREEN III,  
 PRESIDENT

	2009	2008
Gross revenues	\$19,027,898	\$18,732,554
U.S. brokerage revenues	\$18,531,277	\$18,132,197
Employees	119	124
Retail offices	2	2

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**2.2%**

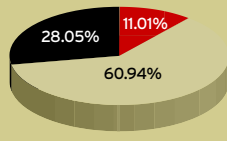
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**[BUSINESS TYPE] AGENT**  
 BILL BOHN, CEO

	2009	2008
Gross revenues	\$52,147,516	\$56,478,126
U.S. brokerage revenues	\$52,045,467	\$55,281,833
Employees	222	243
Retail offices	10	10

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**5.85%**

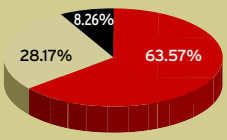
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**[BUSINESS TYPE] BROKER**  
 THOMAS W. CORBETT,  
 CHAIRMAN/CEO

	2009	2008
Gross revenues	\$353,875,800	\$335,886,000
U.S. brokerage revenues	\$351,961,786	\$332,867,399
Employees	1,131	1,080
Retail offices	39	37

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**5.4%**

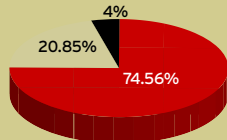
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**[BUSINESS TYPE] BROKER**  
 ANTHONY D. CHIMINO, CEO

	2009	2008
Gross revenues	\$40,174,000	\$39,777,000
U.S. brokerage revenues	\$39,827,000	\$39,211,000
Employees	196	192
Retail offices	1	1

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**1.57%**

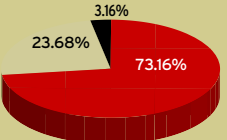
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**[BUSINESS TYPE] AGENT/BROKER**  
 JOHN A. ANDREINI,  
 CHAIRMAN/PRESIDENT

	2009	2008
Gross revenues	\$38,000,000	\$38,300,000
U.S. brokerage revenues	\$38,000,000	\$38,300,000
Employees	194	206
Retail offices	8	9

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**0.78%**

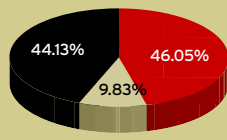
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**[BUSINESS TYPE] AGENT/BROKER**  
 H. WADE REECE,  
 CHAIRMAN/CEO

	2009	2008
Gross revenues	\$1,202,909,300	\$1,029,780,200
U.S. brokerage revenues	\$1,081,485,400	\$962,134,200
Employees	4,669	4,462
Retail offices	115	109

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**12.4%**

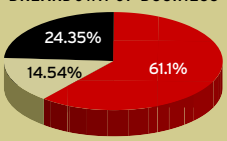
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**[BUSINESS TYPE] BROKER**  
 GREGORY C. CASE,  
 PRESIDENT/CEO

	2009	2008
Gross revenues	\$7,625,000,000	\$7,622,000,000*
U.S. brokerage revenues	\$2,667,600,000	\$2,555,350,000
Employees	36,200	37,700
Retail offices	397	397

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**4.39%**

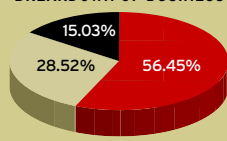
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**[BUSINESS TYPE] AGENT**  
 DAVID ERWIN,  
 SENIOR MANAGING DIRECTOR

	2009	2008
Gross revenues	\$47,556,625	\$56,671,445
U.S. brokerage revenues	\$47,363,163	\$55,692,781
Employees	277	345
Retail offices	8	8

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**14.96%**

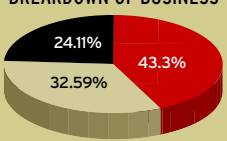
**ASCENSION INSURANCE INC.**  
 2345 Grand Blvd., Suite 610,  
 Kansas City, Mo. 64108  
 816-842-1332  
[www.ascensionins.com](http://www.ascensionins.com)



**[BUSINESS TYPE] AGENT**  
 LEONARD P. KLINE JR.,  
 PRESIDENT/CEO

	2009	2008
Gross revenues	\$59,132,000	\$36,991,000
U.S. brokerage revenues	\$59,023,000	\$36,958,000
Employees	376	317
Retail offices	17	16

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**59.7%**

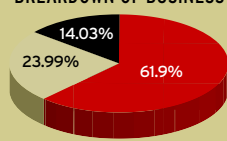
**BANCORPSOUTH INSURANCE SERVICES INC.**  
 1 Mississippi Plaza, 200 S. Spring St.,  
 Tupelo, Miss. 38804  
 228-563-8362  
[www.bancorpsouthinsurance.com](http://www.bancorpsouthinsurance.com)



**[BUSINESS TYPE] AGENT**  
 MARKHAM MCKNIGHT,  
 PRESIDENT

	2009	2008
Gross revenues	\$84,384,587	\$94,366,223
U.S. brokerage revenues	\$83,797,442	\$93,066,99
Employees	550	548
Retail offices	23	23

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**9.96%**

\*Restated

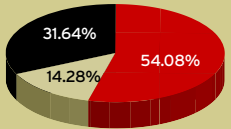
**BANKERS INSURANCE L.L.C.**  
 4490 Cox Road,  
 Glen Allen, Va. 23060  
 804-497-3634  
[www.bankersinsurance.net](http://www.bankersinsurance.net)



**[BUSINESS TYPE] AGENT** P. MARSHALL FLEMING, CEO

	2009	2008
Gross revenues	\$22,258,990	\$19,512,483
U.S. brokerage revenues	\$22,159,119	\$19,404,715
Employees	185	160
Retail offices	12	12

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**14.19%**

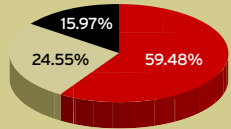
**ROGER BOUCHARD INSURANCE INC.**  
 101 Starcrest Drive,  
 Clearwater, Fla. 33765  
 727-447-6481  
[www.bouchardinsurance.com](http://www.bouchardinsurance.com)



**[BUSINESS TYPE] AGENT** DOUG BISHOP, CEO

	2009	2008
Gross revenues	\$29,821,696	\$33,590,759
U.S. brokerage revenues	\$29,351,224	\$32,896,580
Employees	198	208
Retail offices	4	4

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**10.78%**

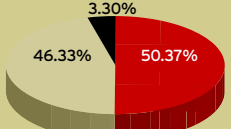
**BARNEY & BARNEY L.L.C.**  
 9171 Towne Centre Drive, Suite 500,  
 San Diego, Calif. 92122  
 858-457-3414  
[www.barneyandbarney.com](http://www.barneyandbarney.com)



**[BUSINESS TYPE] BROKER** PAUL J. HERING, MANAGING PRINCIPAL/CEO

	2009	2008
Gross revenues	\$71,595,000	\$64,046,000
U.S. brokerage revenues	\$70,723,620	\$62,942,220
Employees	360	335
Retail offices	3	3

**BREAKDOWN OF BUSINESS**

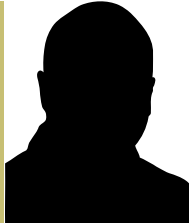


- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**12.36%**

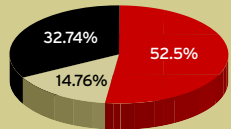
**BOWEN, MICLETTE & BRITT INC.**  
 1111 N. Loop W., Suite 400,  
 Houston, Texas 77008  
 713-880-7100  
[www.bmb-inc.com](http://www.bmb-inc.com)



**[BUSINESS TYPE] AGENT** EDWARD G. BRITT JR., PRESIDENT/CEO

	2009	2008
Gross revenues	\$46,734,563	\$49,438,443
U.S. brokerage revenues	\$36,541,769	\$37,836,400
Employees	189	188
Retail offices	3	3

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**3.42%**

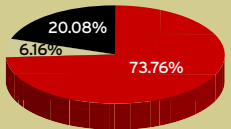
**BEECHER CARLSON HOLDINGS INC.**  
 2002 Summit Blvd., Suite 925,  
 Atlanta, Ga. 30319  
 404-460-1400  
[www.beechercarlson.com](http://www.beechercarlson.com)



**[BUSINESS TYPE] BROKER** TOM GOLUB, CEO

	2009	2008
Gross revenues	\$95,886,200	\$88,280,900
U.S. brokerage revenues	\$93,829,316	\$85,614,270
Employees	485	478
Retail offices	27	26

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**9.6%**

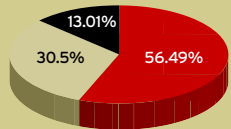
**BROWER INSURANCE AGENCY L.L.C.**  
 409 E. Monument Ave., Suite 400,  
 Dayton, Ohio 45402-1786  
 937-228-4135  
[www.browerinsurance.com](http://www.browerinsurance.com)



**[BUSINESS TYPE] AGENT** JOHN L. WATSON, MANAGING PRINCIPAL

	2009	2008
Gross revenues	\$21,823,000	\$24,120,000
U.S. brokerage revenues	\$21,661,000	\$23,503,000
Employees	167	174
Retail offices	4	3

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**7.84%**

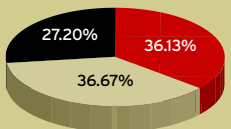
**BOLLINGER INC.**  
 101 JFK Parkway,  
 Short Hills, N.J. 07078  
 800-526-1379  
[www.bollingerinsurance.com](http://www.bollingerinsurance.com)



**[BUSINESS TYPE] AGENT/BROKER** JOHN A. WINDOLF, CHAIRMAN/PRESIDENT/CEO

	2009	2008
Gross revenues	\$106,587,593	\$105,771,234
U.S. brokerage revenues	\$106,123,953	\$103,767,372
Employees	419	402
Retail offices	7	7

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**2.27%**

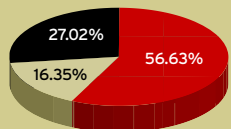
**BROWN & BROWN INC.**  
 220 S. Ridgewood Ave.,  
 Daytona Beach, Fla. 32114  
 386-252-9601  
[www.bbinsurance.com](http://www.bbinsurance.com)



**[BUSINESS TYPE] AGENT/BROKER** J. POWELL BROWN, PRESIDENT/CEO

	2009	2008
Gross revenues	\$967,877,015	\$977,553,213
U.S. brokerage revenues	\$961,968,245	\$963,084,669
Employees	5,206	5,398
Retail offices	138	132

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**0.12%**

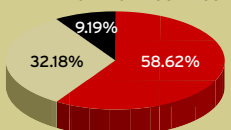
**BOLTON & CO. INSURANCE BROKERS**  
 P.O. Box 6030,  
 Pasadena, Calif. 91102-6030  
 626-799-7000  
[www.boltonco.com](http://www.boltonco.com)



**[BUSINESS TYPE] AGENT/BROKER** STEVE BROCKMEYER, PRESIDENT/CEO

	2009	2008
Gross revenues	\$20,405,765	\$22,221,000
U.S. brokerage revenues	\$20,207,507	\$21,889,825
Employees	115	125
Retail offices	1	2

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**7.69%**

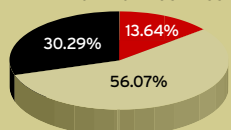
**CBIZ BENEFITS & INSURANCE SERVICES INC.**  
 6050 Oak Tree Blvd. S., Suite 500,  
 Cleveland, Ohio 44131  
 216-447-9000  
[www.cbiz.com](http://www.cbiz.com)



**[BUSINESS TYPE] BROKER** ROBERT A. O'BYRNE, PRESIDENT

	2009	2008
Gross revenues	\$173,000,000	\$184,700,000
U.S. brokerage revenues	\$154,100,000	\$156,800,000
Employees	1,027	1,074
Retail offices	36	34

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**1.72%**

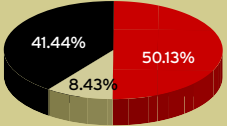
**CAPACITY GROUP OF COS.**  
 1 International Blvd.,  
 Mahwah, N.J. 07495  
 201-661-2000  
[www.capcoverage.com](http://www.capcoverage.com)



**[BUSINESS TYPE] AGENT/BROKER**  
 ROBERT G. LULL,  
 PRESIDENT/CEO/CFO

	2009	2008
Gross revenues	\$55,414,251	\$53,044,758
U.S. brokerage revenues	\$55,262,173	\$52,499,034
Employees	191	178
Retail offices	7	6

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**5.26%**

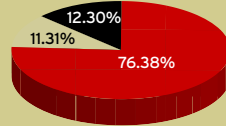
**FRANK CRYSTAL & CO. INC.**  
 32 Old Slip,  
 New York, N.Y. 10005-3504  
 800-221-5830  
[www.frankcrystal.com](http://www.frankcrystal.com)



**[BUSINESS TYPE] BROKER**  
 JAMES W. CRYSTAL,  
 CHAIRMAN/CEO

	2009	2008
Gross revenues	\$129,320,000	\$126,250,000
U.S. brokerage revenues	\$129,320,000	\$126,250,000
Employees	425	425
Retail offices	11	11

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**2.43%**

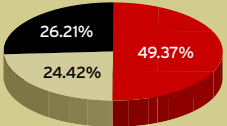
**COBBS, ALLEN & HALL INC.**  
 115 Office Park Drive, Suite 200,  
 Birmingham, Ala. 35223  
 205-414-8100  
[www.cobbsallenhall.com](http://www.cobbsallenhall.com)



**[BUSINESS TYPE] AGENT/BROKER**  
 BRUCE S. DENSON,  
 CHAIRMAN/CEO

	2009	2008
Gross revenues	\$27,440,943	\$29,823,687
U.S. brokerage revenues	\$26,796,446	\$28,881,019
Employees	151	172
Retail offices	5	6

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**7.22%**

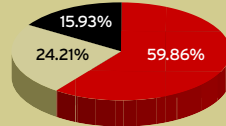
**DANIEL & HENRY CO.**  
 1001 Highlands Plaza Drive W., Suite 500,  
 St. Louis, Mo. 63110  
 314-421-1525  
[www.danielandhenry.com](http://www.danielandhenry.com)



**[BUSINESS TYPE] BROKER**  
 JEFFERY A. MENTEL,  
 PRESIDENT

	2009	2008
Gross revenues	\$22,405,000	\$23,845,000
U.S. brokerage revenues	\$22,379,000	\$23,706,000
Employees	193	197
Retail offices	2	2

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**5.6%**

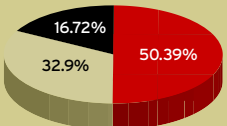
**CONNER STRONG COS. INC.**  
 40 Lake Center Executive Park, Suite 300,  
 Marlton, N.J. 08053  
 877-861-3220  
[www.connerstrong.com](http://www.connerstrong.com)



**[BUSINESS TYPE] AGENT/BROKER**  
 MICHAEL TIAGWAD,  
 PRESIDENT/CEO

	2009	2008
Gross revenues	\$68,722,000	\$77,869,000
U.S. brokerage revenues	\$66,879,120	\$75,873,560
Employees	274	341
Retail offices	7	9

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**11.85%**

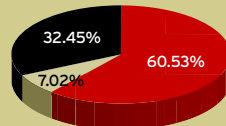
**DAWSON COS.**  
 1340 Depot St.,  
 Rocky River, Ohio 44116  
 440-333-9000  
[www.dawsoncompanies.com](http://www.dawsoncompanies.com)



**[BUSINESS TYPE] AGENT**  
 D. MICHAEL SHERMAN,  
 CEO

	2009	2008
Gross revenues	\$34,409,162	\$32,876,374
U.S. brokerage revenues	\$32,155,362	\$31,422,897
Employees	180	200
Retail offices	8	8

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**2.33%**

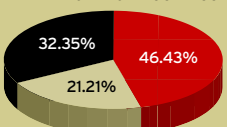
**COOK, HALL & HYDE INC.**  
 461 Pantigo Road,  
 East Hampton, N.Y. 11937  
 631-324-1440  
[www.chhins.com](http://www.chhins.com)



**[BUSINESS TYPE] AGENT/BROKER**  
 LEONARD SCIOSCIA,  
 PRESIDENT/CEO

	2009	2008
Gross revenues	\$18,736,000	\$19,210,000
U.S. brokerage revenues	\$18,736,000	\$19,210,000
Employees	105	109
Retail offices	3	3

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**2.47%**

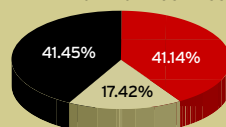
**EASTERN INSURANCE GROUP L.L.C.**  
 233 W. Central St.,  
 Natick, Mass. 01760  
 508-651-7700  
[www.easterninsurance.com](http://www.easterninsurance.com)



**[BUSINESS TYPE] AGENT**  
 HOPE A. ALDRICH,  
 PRESIDENT/CEO

	2009	2008
Gross revenues	\$60,182,300	\$51,472,719
U.S. brokerage revenues	\$58,944,299	\$51,204,320
Employees	316	330
Retail offices	19	23

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**15.12%**

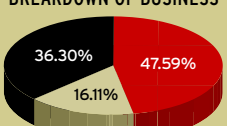
**COTTINGHAM & BUTLER INC.**  
 800 Main St., P.O. Box 28,  
 Dubuque, Iowa 52001  
 563-583-7301  
[www.cb-sisco.com](http://www.cb-sisco.com)



**[BUSINESS TYPE] AGENT/BROKER**  
 JOHN BUTLER,  
 CHAIRMAN

	2009	2008
Gross revenues	\$58,264,000	\$54,997,000
U.S. brokerage revenues	\$57,828,000	\$53,845,000
Employees	362	347
Retail offices	9	6

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**7.4%**

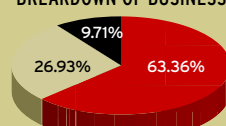
**EDGEWOOD PARTNERS INSURANCE CENTER**  
 2000 Alameda de las Pulgas, Suite 101,  
 San Mateo, Calif. 94403  
 650-295-4600  
[www.edgewoodins.com](http://www.edgewoodins.com)



**[BUSINESS TYPE] AGENT/BROKER**  
 DAN FRANCIS, CEO

	2009	2008
Gross revenues	\$46,112,000	\$29,646,000
U.S. brokerage revenues	\$45,777,000	\$29,411,000
Employees	275	214
Retail offices	9	7

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**55.65%**

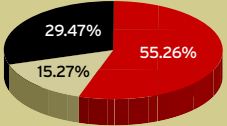
**FIRST NIAGARA RISK MANAGEMENT INC.**  
 726 Exchange St.,  
 Buffalo, N.Y. 14210-1452  
 716-819-5500  
[www.fnfg.com](http://www.fnfg.com)



**[BUSINESS TYPE] AGENT** JOSEPH TERESI, CEO

	2009	2008
Gross revenues	\$49,093,161	\$49,816,088
U.S. brokerage revenues	\$43,918,501	\$44,597,548
Employees	344	339
Retail offices	10	9

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**1.52%**

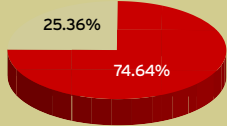
**WILLIAM GALLAGHER ASSOCIATES INSURANCE BROKERS INC.**  
 470 Atlantic Ave.,  
 Boston, Mass. 02210;  
 617-261-6700  
[www.wgains.com](http://www.wgains.com)



**[BUSINESS TYPE] AGENT/BROKER** PHILIP J. EDMUNDSON, CHAIRMAN/CEO

	2009	2008
Gross revenues	\$44,333,721	\$47,617,737
U.S. brokerage revenues	\$42,560,372	\$45,713,028
Employees	195	200
Retail offices	6	6

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**6.9%**

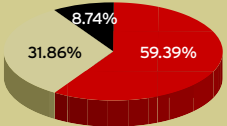
**FRENKEL & CO. INC.**  
 350 Hudson St., Fourth Floor,  
 New York, N.Y. 10014  
 212-488-0200  
[www.frenkel.com](http://www.frenkel.com)



**[BUSINESS TYPE] BROKER** JOHN F. KELLY, PRESIDENT/CEO

	2009	2008
Gross revenues	\$54,425,181	\$55,476,404
U.S. brokerage revenues	\$53,643,495	\$53,906,892
Employees	235	225
Retail offices	6	6

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**0.49%**

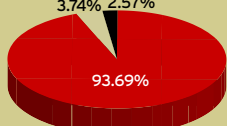
**GRAHAM CO.**  
 1 Penn Square W.,  
 Philadelphia, Pa. 19102  
 215-567-6300  
[www.grahamco.com](http://www.grahamco.com)



**[BUSINESS TYPE] AGENT/BROKER** WILLIAM A. GRAHAM IV, CEO

	2009	2008
Gross revenues	\$36,743,289	\$40,659,061
U.S. brokerage revenues	\$36,513,491	\$40,170,504
Employees	161	182
Retail offices	1	2

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**9.1%**


**FRINGE BENEFITS MANAGEMENT CO.**  
 3101 Sessions Road,  
 Tallahassee, Fla. 32303  
 850-425-6200  
[www.fbmc.com](http://www.fbmc.com)



**[BUSINESS TYPE] AGENT/BROKER** LORRAINE STRICKLAND, PRESIDENT/CEO

	2009	2008
Gross revenues	\$30,621,525	\$33,856,630
U.S. brokerage revenues	\$30,621,525	\$33,856,630
Employees	329	348
Retail offices	2	2

**BREAKDOWN OF BUSINESS**

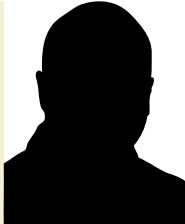


- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**9.56%**

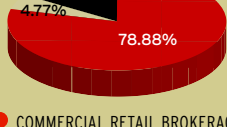
**GUARANTY INSURANCE SERVICES INC.**  
 3721 Executive Center Drive, Suite 200,  
 Austin, Texas 78731  
 512-381-8361  
[www.guarantyins.com](http://www.guarantyins.com)



**[BUSINESS TYPE] AGENT** MIKE HASELDEN, PRESIDENT/CEO

	2009	2008
Gross revenues	\$37,285,395	\$56,380,345
U.S. brokerage revenues	\$37,281,548	\$56,330,534
Employees	244	254
Retail offices	16	16

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**33.82%**

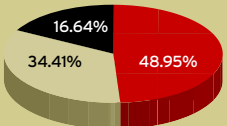
**FROST INSURANCE AGENCY INC.**  
 3611 Paesanos Parkway, Suite 200,  
 San Antonio, Texas 78231  
 210-220-6420  
[www.frostinsurance.com](http://www.frostinsurance.com)



**[BUSINESS TYPE] AGENT** BRUCE BURDETT, PRESIDENT

	2009	2008
Gross revenues	\$34,448,546	\$33,999,912
U.S. brokerage revenues	\$33,610,469	\$33,306,629
Employees	219	209
Retail offices	7	6

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**0.91%**

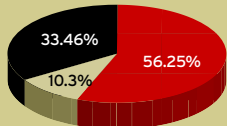
**HAYLOR, FREYER & COON INC.**  
 231 Salina Meadows, P.O. Box 4743,  
 Syracuse, N.Y. 13221-4743  
 315-451-1500  
[www.haylor.com](http://www.haylor.com)



**[BUSINESS TYPE] AGENT/BROKER** VICTOR DISERIO, CHAIRMAN/CEO

	2009	2008
Gross revenues	\$29,917,119	\$29,711,000
U.S. brokerage revenues	\$25,993,838	\$25,812,270
Employees	210	231
Retail offices	11	12

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**0.7%**

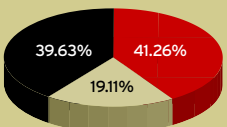
**ARTHUR J. GALLAGHER & CO.**  
 The Gallagher Centre, 2 Pierce Place,  
 Itasca, Ill. 60143-3141  
 630-773-3800  
[www.ajg.com](http://www.ajg.com)



**[BUSINESS TYPE] AGENT/BROKER** J. PATRICK GALLAGHER JR., CHAIRMAN/PRESIDENT/CEO

	2009	2008
Gross revenues	\$1,729,300,000	\$1,645,000,000
U.S. brokerage revenues	\$1,523,397,870	\$1,401,832,740
Employees	9,840	9,863
Retail offices	200	200

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**8.67%**

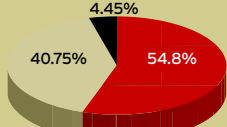
**HAYS GROUP INC., dba HAYS COS.**  
 80 S. Eighth St., Suite 700,  
 Minneapolis, Minn. 55402  
 612-333-3323  
[www.hayscompanies.com](http://www.hayscompanies.com)



**[BUSINESS TYPE] AGENT/BROKER** JAMES HAYS, PRESIDENT/CEO

	2009	2008
Gross revenues	\$112,400,000	\$104,400,000
U.S. brokerage revenues	\$111,400,000	\$103,400,000
Employees	540	540
Retail offices	21	21

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**7.74%**

**HEFFERNAN GROUP**  
 1350 Carback Ave., Suite 200,  
 Walnut Creek, Calif. 94596  
 925-934-8500  
[www.heffgroup.com](http://www.heffgroup.com)



**[BUSINESS TYPE] BROKER**  
**F. MIKE HEFFERNAN III, CEO**


	2009	2008
Gross revenues	\$69,446,000	\$68,979,000
U.S. brokerage revenues	\$68,087,000	\$67,888,000
Employees	397	394
Retail offices	9	9

**BREAKDOWN OF BUSINESS**  
 23.49%  
 10.63%  
 65.88%

- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**  
**0.29%**

**HUNTINGTON INSURANCE INC.**  
 221 S. Church St.,  
 Bowling Green, Ohio 43402  
 888-576-7900  
[www.huntingtoninsure.com](http://www.huntingtoninsure.com)



**[BUSINESS TYPE] AGENT/BROKER**  
**PETER DUNLAP, PRESIDENT**


	2009	2008
Gross revenues	\$72,232,000	\$70,931,000
U.S. brokerage revenues	\$63,236,000	\$63,992,000
Employees	395	425
Retail offices	18	20

**BREAKDOWN OF BUSINESS**  
 37.13%  
 25.89%  
 36.98%

- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**  
**1.18%**

**HIGGINBOTHAM & ASSOCIATES**  
 500 W. 13th St.,  
 Fort Worth, Texas 76102  
 800-728-2374  
[www.higginbotham.net](http://www.higginbotham.net)



**[BUSINESS TYPE] AGENT**  
**J. RUSSELL REID, PRESIDENT/CEO**


	2009	2008
Gross revenues	\$54,741,729	\$48,136,881
U.S. brokerage revenues	\$54,691,729	\$48,086,881
Employees	343	328
Retail offices	13	11

**BREAKDOWN OF BUSINESS**  
 5.99%  
 53.34%  
 40.67%

- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**  
**13.74%**

**HYLANT GROUP INC.**  
 811 Madison Ave.,  
 Toledo, Ohio 43603-1687  
 419-255-1020  
[www.hylant.com](http://www.hylant.com)



**[BUSINESS TYPE] AGENT/BROKER**  
**MICHAEL M. HYLANT, CEO**


	2009	2008
Gross revenues	\$88,402,250	\$93,781,275
U.S. brokerage revenues	\$86,028,510	\$90,501,577
Employees	615	665
Retail offices	12	12

**BREAKDOWN OF BUSINESS**  
 8.94%  
 20.51%  
 70.55%

- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**  
**4.94%**

**HOLMES MURPHY & ASSOCIATES INC.**  
 3001 Westown Parkway,  
 West Des Moines, Iowa 50266-1321  
 515-223-6800  
[www.holmesmurphy.com](http://www.holmesmurphy.com)



**[BUSINESS TYPE] AGENT/BROKER**  
**JAMES S. SWIFT, CHAIRMAN/CEO**


	2009	2008
Gross revenues	\$92,204,929	\$93,446,765
U.S. brokerage revenues	\$91,730,069	\$92,705,124
Employees	478	489
Retail offices	13	11

**BREAKDOWN OF BUSINESS**  
 12.29%  
 42.74%  
 44.97%

- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**  
**1.05%**

**IMA FINANCIAL GROUP INC.**  
 8200 E. 32nd St. N.,  
 Wichita, Kan. 67226  
 316-267-9221  
[www.imacorp.com](http://www.imacorp.com)



**[BUSINESS TYPE] AGENT/BROKER**  
**ROBERT L. COHEN, CHAIRMAN/CEO**


	2009	2008
Gross revenues	\$80,935,269	\$83,551,599
U.S. brokerage revenues	\$77,853,206	\$80,397,667
Employees	456	466
Retail offices	6	6

**BREAKDOWN OF BUSINESS**  
 22.99%  
 12.42%  
 64.6%

- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**  
**3.16%**

**HORTON GROUP INC.**  
 10320 Orland Parkway,  
 Orland Park, Ill. 60467  
 708-845-3000  
[www.thehortongroup.com](http://www.thehortongroup.com)



**[BUSINESS TYPE] BROKER**  
**GLENN M. HORTON, PRESIDENT/CEO**


	2009	2008
Gross revenues	\$46,546,479	\$46,322,326
U.S. brokerage revenues	\$46,305,623	\$46,016,396
Employees	295	332
Retail offices	16	16

**BREAKDOWN OF BUSINESS**  
 17.92%  
 34.88%  
 47.2%

- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**  
**0.63%**

**INSURANCE OFFICE OF AMERICA INC.**  
 1855 W. State Road 434,  
 Longwood, Fla. 32750  
 407-788-3000  
[www.ioausa.com](http://www.ioausa.com)



**[BUSINESS TYPE] AGENT/BROKER**  
**HEATH RITZENOUR, CEO**


	2009	2008
Gross revenues	\$80,112,906	\$79,298,693
U.S. brokerage revenues	\$77,591,871	\$77,099,818
Employees	555	530
Retail offices	23	23

**BREAKDOWN OF BUSINESS**  
 19.46%  
 10.37%  
 70.17%

- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**  
**0.64%**

**HUB INTERNATIONAL LTD.**  
 55 E. Jackson Blvd., Floor 14A,  
 Chicago, Ill. 60604-4187  
 877-402-6601  
[www.hubinternational.com](http://www.hubinternational.com)



**[BUSINESS TYPE] BROKER**  
**MARTIN P. HUGHES, CHAIRMAN/CEO**


	2009	2008
Gross revenues	\$727,002,000	\$762,212,000
U.S. brokerage revenues	\$514,936,020	\$537,604,900
Employees	4,510	4,682
Retail offices	220	223

**BREAKDOWN OF BUSINESS**  
 29.83%  
 13.76%  
 56.41%

- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**  
**4.22%**

**INSURICA INSURANCE MANAGEMENT NETWORK**  
 5100 N. Classen, Suite 300,  
 Oklahoma City, Okla. 73118  
 405-523-2100  
[www.insurica.com](http://www.insurica.com)



**[BUSINESS TYPE] AGENT/BROKER**  
**MICHAEL F. ROSS, PRESIDENT/CEO**


	2009	2008
Gross revenues	\$44,242,810	\$43,702,505
U.S. brokerage revenues	\$43,455,811	\$42,840,489
Employees	236	228
Retail offices	12	11

**BREAKDOWN OF BUSINESS**  
 21.86%  
 7.01%  
 71.14%

- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**  
**1.44%**

**INTEGRO USA INC.**  
 1 State St.,  
 New York, N.Y. 10004  
 212-295-8000  
 www.integrogroup.com

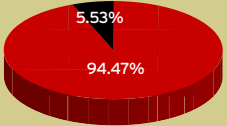


**[BUSINESS TYPE] BROKER**

	2009	2008
Gross revenues	\$66,900,000	\$62,700,000
U.S. brokerage revenues	\$56,880,000	\$51,480,000
Employees	288	263
Retail offices	10	10

PETER GARVEY,  
 PRESIDENT/CEO

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**10.49%**

**J. SMITH LANIER & CO.**  
 300 W. 10th St.,  
 West Point, Ga. 31833  
 706-645-2211  
 www.jsmithlanier.com

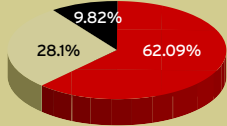


**[BUSINESS TYPE] AGENT/BROKER**

	2009	2008
Gross revenues	\$105,155,572	\$103,793,567
U.S. brokerage revenues	\$104,692,172	\$102,768,548
Employees	572	570
Retail offices	19	19

D. GAINES LANIER,  
 CHAIRMAN/CEO

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**1.87%**

**INTERWEST INSURANCE SERVICES INC.**  
 3600 American River Drive, Suite 200,  
 Sacramento, Calif. 95864  
 916-679-2960  
 www.iwins.com

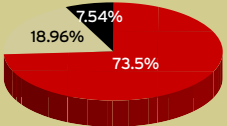


**[BUSINESS TYPE] BROKER**

	2009	2008
Gross revenues	\$42,000,168	\$46,658,046
U.S. brokerage revenues	\$41,582,914	\$46,103,635
Employees	284	311
Retail offices	8	8

KEITH SCHULER, CEO

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**9.81%**

**LAWLEY SERVICE INC.**  
 361 Delaware Ave.,  
 Buffalo, N.Y. 14202  
 716-849-8618  
 www.lawleyinsurance.com

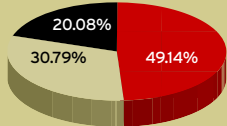


**[BUSINESS TYPE] AGENT**

	2009	2008
Gross revenues	\$41,032,776	\$37,902,525
U.S. brokerage revenues	\$40,492,433	\$38,280,568
Employees	273	255
Retail offices	8	8

WILLIAM J. LAWLEY JR.,  
 MANAGING PARTNER/  
 SECRETARY

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**5.78%**

**JARDINE LLOYD THOMPSON GROUP P.L.C.**  
 6 Crutched Friars,  
 London EC3N 2PH England;  
 44-207-528-4444  
 www.jltgroup.com

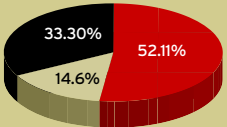


**[BUSINESS TYPE] BROKER**

	2009	2008
Gross revenues	\$971,060,305	\$1,032,900,865
U.S. brokerage revenues	\$134,117,672	\$129,069,676
Employees	6,097	5,488
Retail offices	80	76

DOMINIC BURKE,  
 GROUP CHIEF EXECUTIVE

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**3.91%**

**LEAVITT GROUP**  
 216 S. 200 W., Suite 301,  
 Cedar City, Utah 84720  
 435-586-6553  
 www.leavitt.com

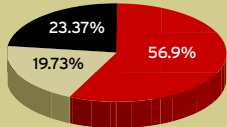


**[BUSINESS TYPE] AGENT/BROKER**

	2009	2008
Gross revenues	\$199,300,000	\$186,777,000
U.S. brokerage revenues	\$192,073,000	\$177,254,000
Employees	1,272	1,396
Retail offices	114	113

DANE O. LEAVITT, CEO

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**8.36%**

**KINLOCH HOLDINGS INC.**  
 300 Executive Drive,  
 West Orange, N.J. 07052  
 973-669-3150  
 www.kinlochholdings.com

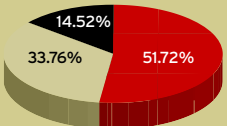


**[BUSINESS TYPE] AGENT/BROKER**

	2009	2008
Gross revenues	\$36,735,000	\$38,800,000
U.S. brokerage revenues	\$36,204,300	\$38,115,000
Employees	150	175
Retail offices	4	5

JAMES L. ZECH,  
 PRESIDENT/CEO

**BREAKDOWN OF BUSINESS**

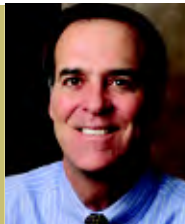


- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**5.01%**

**LOCKTON COS. L.L.C.**  
 444 W. 47th St., Suite 900,  
 Kansas City, Mo. 64112-1906  
 816-960-9000  
 www.lockton.com

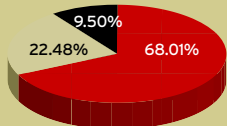


**[BUSINESS TYPE] BROKER**

	2009	2008
Gross revenues	\$774,280,000	\$741,706,000*
U.S. brokerage revenues	\$528,460,650	\$505,912,140
Employees	3,880	3,850
Retail offices	51	48

DAVID M. LOCKTON,  
 CHAIRMAN

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**4.46%**

\*Restated

**R.C. KNOX & CO. INC.**  
 1 Goodwin Square,  
 Hartford, Conn. 06103  
 860-524-7600  
 www.rcknox.com

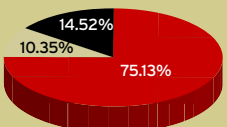


**[BUSINESS TYPE] AGENT**

	2009	2008
Gross revenues	\$24,891,000	\$27,192,000
U.S. brokerage revenues	\$23,594,000	\$25,232,000
Employees	103	106
Retail offices	2	2

DANIEL F. CASEY,  
 PRESIDENT/CEO

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**6.49%**

**LOOMIS CO.**  
 850 N. Park Road, P.O. Box 7011,  
 Wyomissing, Pa. 19610  
 610-374-4040  
 www.loomis.com

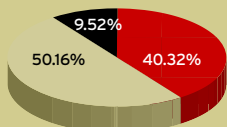


**[BUSINESS TYPE] AGENT/BROKER**

	2009	2008
Gross revenues	\$36,250,000	\$36,200,000
U.S. brokerage revenues	\$34,937,000	\$34,454,400
Employees	300	300
Retail offices	6	5

JAMES R. LOOMIS,  
 PRESIDENT

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**1.4%**

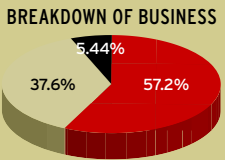
**LOVITT & TOUCHE INC.**  
 1050 W. Washington St., Suite 233,  
 Tempe, Ariz. 85281  
 602-956-2250  
[www.lovitt-touche.com](http://www.lovitt-touche.com)



**[BUSINESS TYPE] AGENT**

	2009	2008
Gross revenues	\$27,356,649	\$29,813,624
U.S. brokerage revenues	\$26,880,122	\$29,313,992
Employees	182	200
Retail offices	3	3

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**8.3%**

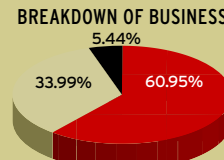
**MCQUEARY HENRY BOWLES TROY L.L.P.**  
 8144 Walnut Hill Lane, 16th Floor,  
 Dallas, Texas 75231  
 972-770-1600  
[www.mhbt.com](http://www.mhbt.com)



**[BUSINESS TYPE] AGENT**

	2009	2008
Gross revenues	\$42,660,000	\$42,350,500
U.S. brokerage revenues	\$42,260,000	\$41,850,000
Employees	200	200
Retail offices	3	3

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**0.98%**

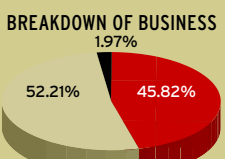
**M3 INSURANCE SOLUTIONS INC.**  
 3113 W. Beltline Highway, P.O. Box 8950,  
 Madison, Wis. 53708-8950  
 608-273-0655  
[www.m3ins.com](http://www.m3ins.com)



**[BUSINESS TYPE] AGENT/BROKER**

	2009	2008
Gross revenues	\$30,027,900	\$28,333,300
U.S. brokerage revenues	\$29,826,100	\$28,165,600
Employees	175	163
Retail offices	6	5

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**5.9%**

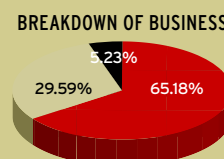
**MESIROW INSURANCE SERVICES INC.**  
 353 N. Clark St.,  
 Chicago, Ill. 60654  
 312-595-6200  
[www.mesirowfinancial.com](http://www.mesirowfinancial.com)



**[BUSINESS TYPE] AGENT**

	2009	2008
Gross revenues	\$89,359,712	\$90,529,938
U.S. brokerage revenues	\$89,036,480	\$89,968,189
Employees	315	320
Retail offices	6	6

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**1.04%**

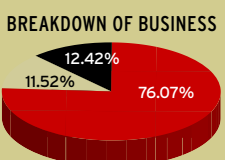
**MAHONEY GROUP**  
 1835 S. Extension Road,  
 Mesa, Ariz. 85210  
 480-730-4920  
[www.mahoneygroup.com](http://www.mahoneygroup.com)



**[BUSINESS TYPE] AGENT**

	2009	2008
Gross revenues	\$45,350,613	\$48,513,883
U.S. brokerage revenues	\$44,129,635	\$46,391,290
Employees	248	268
Retail offices	13	14

**BREAKDOWN OF BUSINESS**

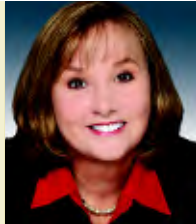


- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**4.88%**

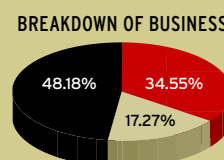
**MOMENTOUS INSURANCE BROKERAGE INC.**  
 5990 Sepulveda Blvd. Suite 550,  
 Van Nuys, Calif. 91411  
 818-933-2700  
[www.momentousins.com](http://www.momentousins.com)



**[BUSINESS TYPE] BROKER**

	2009	2008
Gross revenues	\$22,000,000	\$20,000,000
U.S. brokerage revenues	\$22,000,000	\$20,000,000
Employees	114	89
Retail offices	2	1

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**10.0%**

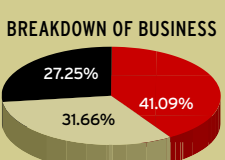
**MARSH & MCLENNAN COS. INC.\***  
 1166 Ave. of the Americas,  
 New York, N.Y. 10036  
 212-345-6000  
[www.mmc.com](http://www.mmc.com)



**[BUSINESS TYPE] BROKER**

	2009	2008
Gross revenues	\$10,510,000,000	\$11,566,000,000**
U.S. brokerage revenues	\$4,938,290,000	\$5,265,620,000
Employees	52,000	54,400
Retail offices	700	700

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**6.22%**

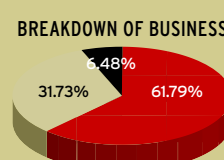
**MORETON & CO.\***  
 709 E. South Temple,  
 Salt Lake City, Utah 84102  
 801-531-1234  
[www.moreton.com](http://www.moreton.com)



**[BUSINESS TYPE] BROKER**

	2009	2008
Gross revenues	\$36,416,000	\$36,856,000
U.S. brokerage revenues	\$34,056,000	\$34,652,000
Employees	170	170
Retail offices	4	4

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**1.72%**

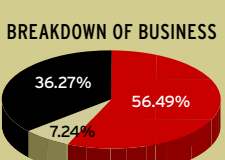
**MARSHALL & STERLING ENTERPRISES INC.**  
 110 Main St.,  
 Poughkeepsie, N.Y. 12601  
 845-454-0800  
[www.marshallsterling.com](http://www.marshallsterling.com)



**[BUSINESS TYPE] AGENT/BROKER**

	2009	2008
Gross revenues	\$51,293,390	\$49,012,408
U.S. brokerage revenues	\$46,512,300	\$47,063,937
Employees	340	332
Retail offices	18	20

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**1.17%**

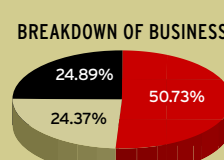
**NEACE LUKENS HOLDING CO.**  
 2305 River Road,  
 Louisville, Ky. 40206  
 502-894-2100  
[www.neacelukens.com](http://www.neacelukens.com)



**[BUSINESS TYPE] AGENT**

	2009	2008
Gross revenues	\$85,211,810	\$81,455,764
U.S. brokerage revenues	\$83,571,922	\$81,583,384
Employees	516	507
Retail offices	25	24

**BREAKDOWN OF BUSINESS**



- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER


**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**2.44%**

\*Revenues do not include HSBC Insurance Brokers Ltd.; purchase completed April 2010; \*\* Restated

\*Formerly Fred A. Morton & Co.

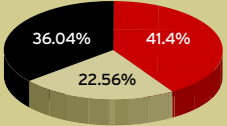
**OLD NATIONAL INSURANCE**  
 600 E. 96th St., Suite 400,  
 Indianapolis, Ind. 46240  
 317-575-9999  
 www.oldnationalins.com



**[BUSINESS TYPE] AGENT**  
 THOMAS A. FLYNN, CEO

	2009	2008
Gross revenues	\$36,941,200	\$37,884,788
U.S. brokerage revenues	\$36,620,797	\$37,380,041
Employees	290	294
Retail offices	7	7


**BREAKDOWN OF BUSINESS**



- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**  
**2.03%**

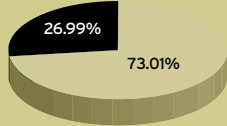
**PRECEPT GROUP**  
 130 Theory, Suite 200,  
 Irvine, Calif. 92617  
 949-955-1430  
 www.preceptgroup.com



**[BUSINESS TYPE] AGENT/BROKER**  
 WADE OLSON,  
 CHAIRMAN/CEO

	2009	2008
Gross revenues	\$22,600,000	\$19,400,000
U.S. brokerage revenues	\$22,600,000	\$19,400,000
Employees	115	112
Retail offices	5	5


**BREAKDOWN OF BUSINESS**



- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**  
**16.49%**

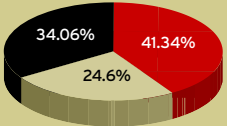
**OSWALD COS. & AFFILIATES**  
 1360 E. Ninth St., Suite 600,  
 Cleveland, Ohio 44114-1730  
 216-367-8787  
 www.oswaldcompanies.com



**[BUSINESS TYPE] AGENT/BROKER**  
 MARC S. BYRNES, CEO

	2009	2008
Gross revenues	\$56,127,000	\$66,215,000
U.S. brokerage revenues	\$39,093,120	\$63,899,550
Employees	225	430
Retail offices	7	17


**BREAKDOWN OF BUSINESS**



- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**  
**38.82%**

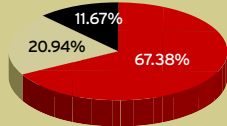
**PROPEL INSURANCE**  
 1201 Pacific Ave., Suite 1000,  
 Tacoma, Wash. 98402-4321  
 253-759-2200  
 www.propelinsurance.com



**[BUSINESS TYPE] BROKER**  
 KURT C. CARLSON,  
 PRESIDENT/CEO

	2009	2008
Gross revenues	\$43,100,000	\$41,200,000
U.S. brokerage revenues	\$41,724,000	\$39,690,000
Employees	223	207
Retail offices	9	5


**BREAKDOWN OF BUSINESS**



- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**  
**5.12%**

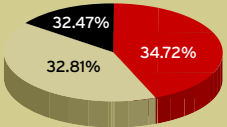
**PSA FINANCIAL CENTER & AFFILIATES**  
 11311 McCormick Road,  
 Hunt Valley, Md. 21031  
 410-821-7766  
 www.psafinancial.com



**[BUSINESS TYPE] AGENT/BROKER**  
 TREVOR C. LEWIS JR.,  
 MANAGING DIRECTOR/CEO

	2009	2008
Gross revenues	\$27,337,309	\$29,093,717
U.S. brokerage revenues	\$25,080,778	\$26,257,503
Employees	168	171
Retail offices	1	2


**BREAKDOWN OF BUSINESS**



- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**  
**4.48%**

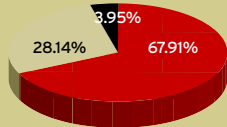
**RJF AGENCIES INC.**  
 7225 Northland Drive N., Suite 300,  
 Minneapolis, Minn. 55428  
 763-746-8000  
 www.rjfagencies.com



**[BUSINESS TYPE] AGENT**  
 WILLIAM JEATRAN, CEO

	2009	2008
Gross revenues	\$24,648,000	\$24,790,000
U.S. brokerage revenues	\$24,061,000	\$24,160,000
Employees	149	154
Retail offices	6	5


**BREAKDOWN OF BUSINESS**



- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**  
**0.41%**

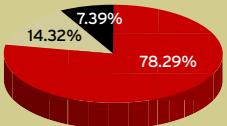
**PARKER, SMITH & FEEL INC.**  
 2233 112th Ave. N.E.,  
 Bellevue, Wash. 98004  
 425-709-3600  
 www.psfinc.com



**[BUSINESS TYPE] BROKER**  
 GREG COLLINS,  
 PRESIDENT/CEO

	2009	2008
Gross revenues	\$34,060,000	\$30,734,000
U.S. brokerage revenues	\$33,651,000	\$30,165,000
Employees	185	163
Retail offices	2	2

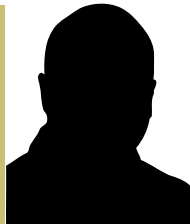
**BREAKDOWN OF BUSINESS**



- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**  
**11.56%**

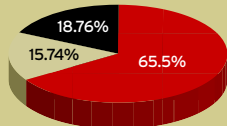
**REGIONS INSURANCE GROUP INC.**  
 6000 Poplar Ave.,  
 Memphis, Tenn. 38119  
 901-684-3333  
 www.regionsinsurance.com



**[BUSINESS TYPE] AGENT/BROKER**  
 CURREN COCO,  
 EXECUTIVE VP

	2009	2008
Gross revenues	\$111,190,000	\$118,773,000
U.S. brokerage revenues	\$102,172,725	\$110,502,202
Employees	582	581
Retail offices	23	25


**BREAKDOWN OF BUSINESS**



- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**  
**7.54%**

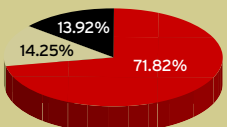
**PAYNE FINANCIAL GROUP INC.**  
 145 W. Front St., P.O. Box 3327,  
 Missoula, Mont. 59801  
 406-532-5912  
 www.pfg-insurance.com



**[BUSINESS TYPE] AGENT**  
 BILL WRIGGLESWORTH,  
 CEO

	2009	2008
Gross revenues	\$34,193,210	\$34,474,964
U.S. brokerage revenues	\$33,400,405	\$33,345,856
Employees	225	225
Retail offices	10	9


**BREAKDOWN OF BUSINESS**



- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**  
**0.16%**

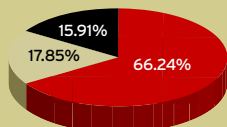
**RIGGS, COUNSELLMAN,  
 MICHAELS & DOWNES INC.**  
 555 Fairmount Ave.,  
 Baltimore, Md. 21286  
 410-339-7263  
 www.rcmd.com



**[BUSINESS TYPE] AGENT/BROKER**  
 ALBERT R. COUNSELLMAN,  
 CHAIRMAN/CEO

	2009	2008
Gross revenues	\$41,890,879	\$41,680,856
U.S. brokerage revenues	\$41,198,771	\$41,687,190
Employees	262	276
Retail offices	5	5


**BREAKDOWN OF BUSINESS**



- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**  
**1.17%**

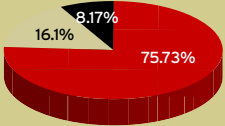
**RISK STRATEGIES CO.**  
160 Federal St., Second Floor,  
Boston, Mass. 02110  
617-330-5700  
[www.risk-strategies.com](http://www.risk-strategies.com)



**[BUSINESS TYPE] BROKER**

MICHAEL B. CHRISTIAN,  
CEO

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**1.54%**

	2009	2008
Gross revenues	\$28,775,000	\$28,360,000
U.S. brokerage revenues	\$28,424,600	\$27,994,500
Employees	121	119
Retail offices	10	10

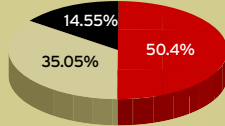
**SEITLIN**  
9800 N.W. 41st St., Suite 300,  
Miami, Fla. 33178  
305-591-0090  
[www.seitlin.com](http://www.seitlin.com)



**[BUSINESS TYPE] AGENT**

THOMAS M. CORNISH,  
PRESIDENT/CEO

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**16.35%**

	2009	2008
Gross revenues	\$25,819,566	\$32,011,494
U.S. brokerage revenues	\$24,438,455	\$29,216,626
Employees	130	150
Retail offices	3	3

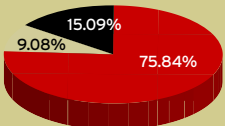
**ROBERTSON RYAN & ASSOCIATES INC.**  
330 E. Kilbourn Ave., Suite 650,  
Milwaukee, Wis. 53202  
414-271-3575  
[www.robertsonryan.com](http://www.robertsonryan.com)



**[BUSINESS TYPE] AGENT/BROKER**

ANTHONY S. VON RUEDEN,  
CHAIRPERSON

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**1.97%**

	2009	2008
Gross revenues	\$26,543,956	\$26,152,989
U.S. brokerage revenues	\$26,397,987	\$25,889,137
Employees	183	175
Retail offices	7	7

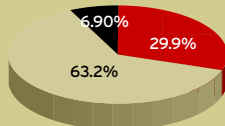
**SILVERSTONE GROUP INC.**  
11516 Miracle Hills Drive,  
Omaha, Neb. 68154  
402-964-5400  
[www.silverstonegroup.com](http://www.silverstonegroup.com)



**[BUSINESS TYPE] AGENT/BROKER**

JOHN P. NELSON,  
CHAIRMAN/CEO

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**2.81%**

	2009	2008
Gross revenues	\$31,294,000	\$32,207,000
U.S. brokerage revenues	\$30,802,000	\$31,692,000
Employees	186	184
Retail offices	5	4

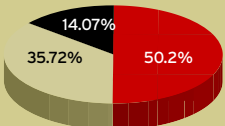
**ROSE & KIERNAN INC.**  
99 Troy Road,  
East Greenbush, N.Y. 12061  
518-244-4245  
[www.rkinsurance.com](http://www.rkinsurance.com)



**[BUSINESS TYPE] AGENT/BROKER**

JOHN F. MURRAY,  
PRESIDENT/CEO

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**0.11%**

	2009	2008
Gross revenues	\$39,700,000	\$39,920,000
U.S. brokerage revenues	\$38,682,270	\$38,639,700
Employees	193	200
Retail offices	11	11

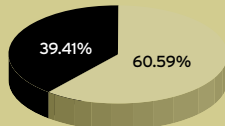
**SITZMANN MORRIS & LAVIS INC.**  
1 Kaiser Plaza, Suite 1101,  
Oakland, Calif. 94612  
510-452-0458  
[www.smlinc.com](http://www.smlinc.com)



**[BUSINESS TYPE] AGENT/BROKER**

GARY R. SITZMANN, CEO

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**4.59%**

	2009	2008
Gross revenues	\$19,499,000	\$20,417,000
U.S. brokerage revenues	\$19,111,000	\$20,031,000
Employees	87	84
Retail offices	3	3

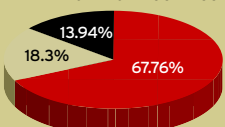
**SCHIFF, KREIDLER-SHELL INC.**  
1 W. Fourth St., Suite 1300,  
Cincinnati, Ohio 45202  
513-977-3100  
[www.sksins.com](http://www.sksins.com)



**[BUSINESS TYPE] AGENT**

THOMAS R. DIETZ,  
CHAIRMAN/CEO

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**8.88%**

	2009	2008
Gross revenues	\$20,631,000	\$22,704,000
U.S. brokerage revenues	\$20,298,000	\$22,276,000
Employees	109	115
Retail offices	2	2

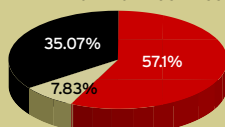
**STARKWEATHER & SHEPLEY INSURANCE BROKERAGE INC.**  
60 Catamore Blvd.,  
East Providence, R.I. 02914  
401-435-3600  
[www.starshp.com](http://www.starshp.com)



**[BUSINESS TYPE] AGENT/BROKER**

NATALE CALAMIS,  
PRESIDENT/CEO

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**15.87%**

	2009	2008
Gross revenues	\$32,820,000	\$28,600,000
U.S. brokerage revenues	\$32,491,000	\$28,042,000
Employees	186	158
Retail offices	8	8

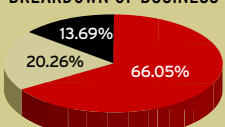
**SCOTT INSURANCE**  
1301 Old Graves Mill Road,  
P.O. Box 10489,  
Lynchburg, Va. 24506  
434-832-2100  
[www.scottins.com](http://www.scottins.com)



**[BUSINESS TYPE] AGENT**

WALKER P. SYDNOR JR.,  
PRESIDENT

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**3.82%**

	2009	2008
Gross revenues	\$35,401,000	\$34,764,000
U.S. brokerage revenues	\$32,047,000	\$33,319,000
Employees	219	226
Retail offices	8	8

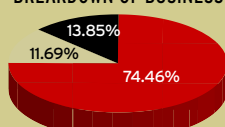
**STERLING & STERLING INC.**  
135 Crossways Park Drive,  
Woodbury, N.Y. 11797  
516-487-0300  
[www.sterlingrisk.com](http://www.sterlingrisk.com)



**[BUSINESS TYPE] AGENT/BROKER**

DAVID STERLING,  
CHAIRMAN/CEO

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**8.33%**

	2009	2008
Gross revenues	\$32,500,000	\$30,000,000
U.S. brokerage revenues	\$32,500,000	\$30,000,000
Employees	172	170
Retail offices	4	4

**SULLIVANCURTISMONROE INSURANCE SERVICES L.L.C.**  
 1920 Main St., Suite 600,  
 Irvine, Calif. 92614  
 949-250-7172

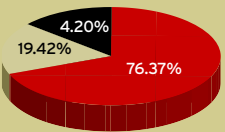


**[BUSINESS TYPE] AGENT/BROKER**

	2009	2008
Gross revenues	\$32,537,500	\$34,250,000
U.S. brokerage revenues	\$32,305,000	\$34,250,000
Employees	185	185
Retail offices	3	3

JOHN F. MONROE,  
PRESIDENT/CEO

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**5.68%**

**WELLS FARGO INSURANCE SERVICES INC.**  
 150 N. Michigan Ave., Suite 3900,  
 Chicago, Ill. 60601  
 312-423-2500  
 wfis.wellsfargo.com

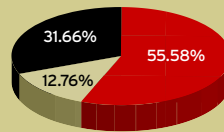


**[BUSINESS TYPE] AGENT/BROKER**

	2009	2008
Gross revenues	\$1,894,754,000	\$2,012,973,000
U.S. brokerage revenues	\$1,560,908,000	\$1,743,062,000
Employees	7,412	7,905
Retail offices	170	213

NEIL R. ATON,  
PRESIDENT/CEO

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**10.45%**

**T&H GROUP INC.**  
 320 W. 57th St.,  
 New York, N.Y. 10019  
 212-603-0200  
 www.thgroup.com

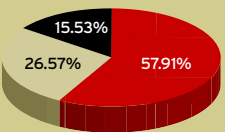


**[BUSINESS TYPE] BROKER**

	2009	2008
Gross revenues	\$64,712,776	\$66,830,720
U.S. brokerage revenues	\$63,930,253	\$65,553,077
Employees	220	222
Retail offices	17	16

WALTER L. HARRIS,  
CHAIRMAN/CEO

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**2.48%**

**WESTERN STATES INSURANCE**  
 2925 Palmer St.,  
 Missoula, Mont. 59808  
 406-327-6400  
 www.wsi-insurance.com

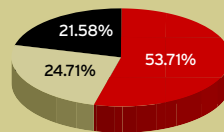


**[BUSINESS TYPE] AGENT**

	2009	2008
Gross revenues	\$52,318,838	\$52,010,760
U.S. brokerage revenues	\$51,967,665	\$51,759,596
Employees	389	365
Retail offices	30	29

KYLE LINGSCHIEDT, CEO

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**0.4%**

**TRION GROUP INC. dba TRION**  
 2300 Renaissance Blvd.,  
 King of Prussia, Pa. 19406  
 610-945-1000  
 www.trion.com

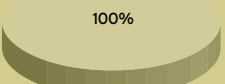


**[BUSINESS TYPE] AGENT/BROKER**

	2009	2008
Gross revenues	\$70,300,000	\$67,700,000
U.S. brokerage revenues	\$70,300,000	\$67,700,000
Employees	319	304
Retail offices	10	10

EDMUND F. GARNO III,  
PRINCIPAL

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**3.84%**

**WILLIS GROUP HOLDINGS P.L.C.**  
 51 Lime St.,  
 London EC3M 7DQ England  
 44-203-124-6000  
 www.willis.com

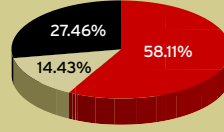


**[BUSINESS TYPE] BROKER**

	2009	2008
Gross revenues	\$3,263,000,000	\$3,451,000,000
U.S. brokerage revenues	\$1,669,200,000	\$1,781,860,000
Employees	17,000	17,000
Retail offices	402	400

JOE PLUMERI,  
CHAIRMAN/CEO

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**6.32%**

**USI HOLDINGS CORP.**  
 555 Pleasantville Road, Suite 160 S.,  
 Briarcliff Manor, N.Y. 10510  
 914-749-8500  
 www.usi.biz

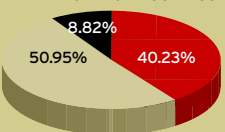


**[BUSINESS TYPE] AGENT/BROKER**

	2009	2008
Gross revenues	\$628,664,000	\$636,158,000
U.S. brokerage revenues	\$628,009,000	\$633,155,000
Employees	2,822	3,013
Retail offices	77	66

MICHAEL J. SICARD,  
CHAIRMAN/PRESIDENT/  
CEO

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**0.81%**

**WOODRUFF-SAWYER & CO.**  
 220 Bush St., Seventh Floor,  
 San Francisco, Calif. 94104  
 415-391-2141  
 www.wsandco.com

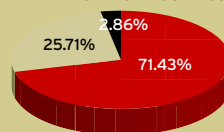


**[BUSINESS TYPE] BROKER**

	2009	2008
Gross revenues	\$59,500,000	\$61,000,000
U.S. brokerage revenues	\$58,800,000	\$56,810,000
Employees	258	283
Retail offices	6	6

CHARLES ROSSON, CEO

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**3.5%**

**VAN GILDER INSURANCE CORP.**  
 1515 Wynkoop, Suite 200,  
 Denver, Colo. 80202  
 303-837-8500  
 www.vgic.com

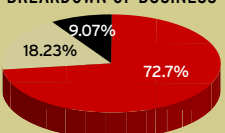


**[BUSINESS TYPE] AGENT/BROKER**

	2009	2008
Gross revenues	\$37,073,272	\$47,362,000
U.S. brokerage revenues	\$36,090,991	\$45,145,723
Employees	202	212
Retail offices	3	4

MICHAEL VAN GILDER,  
CEO

**BREAKDOWN OF BUSINESS**




- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**20.06%**

**JOHN L. WORTHAM & SON L.P.**  
 2727 Allen Parkway,  
 Houston, Texas 77019  
 713-526-3366  
 www.worthaminsurance.com

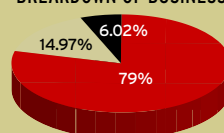


**[BUSINESS TYPE] AGENT/BROKER**

	2009	2008
Gross revenues	\$97,583,681	\$99,359,848
U.S. brokerage revenues	\$96,607,844	\$99,359,848
Employees	522	-
Retail offices	5	-

ROBERT B. HIXON,  
CHAIRMAN

**BREAKDOWN OF BUSINESS**



- COMMERCIAL RETAIL BROKERAGE
- EMPLOYEE BENEFITS
- OTHER

**CHANGE IN BROKERAGE REVENUE [2008-2009]**

**2.77%**

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## Market Moves

### Ariel Re opens office in Rio de Janeiro

**RIO DE JANEIRO**—Ariel Reinsurance Co. Ltd. has opened a representative office in Brazil.

The Superintendência de Seguros Privados, the government agency that oversees insurance regulation in Brazil, approved Ariel Re as an admitted reinsurer, the Hamilton, Bermuda-based unit of Ariel Holdings Ltd. said.

The office, located in Rio de Janeiro, will focus on surety and trade credit reinsurance underwritten through its branch office in Zurich, Ariel Re said.

Thomas Rothenburger, surety and trade branch manager in Zurich, also will oversee the Rio de Janeiro office.

"The establishment of a representative office and our admitted status demonstrates our commitment to building our operations in Brazil and is a further step in the development of our business throughout Latin America," Tom Hulst, CEO of Ariel Re, said in a statement.

The office is at Praia de Botafogo 501, Bloco II, 2nd Floor, CEP 22250-040, Rio de Janeiro, Brazil. The phone number is +55 21-2546-9943.

### Mercer acquires benefits tech firm

**BRECKSVILLE, Ohio**—Mercer L.L.C. said it has acquired privately owned benefits technology provider Innovative Process Administration L.L.C.

The acquisition, for which terms were not disclosed, aims to bolster Mercer's outsourcing capabilities, the New York-based consulting and outsourcing unit of Marsh & McLennan Cos. Inc. said in a statement.

Brecksville, Ohio-based IPA has focused on health and benefits recordkeeping and employment enrollment technology since 1994.

IPA provides the technology behind Mercer's benefits enrollment program EasyEnroll, which supports 75 clients, according to the statement.

Acquiring IPA is "an important addition to our ability to provide enhanced consulting and benefits brokerage bundled with co-sourced or fully outsourced benefit administration and enrollment capabilities, which is what our clients are asking for," David Rahill, Mercer's U.S. health and benefits region leader, said in a statement.

IPA will continue operating under that name and James Zadella, president and CEO of IPA, will join Mercer as health and benefits small and mid-market leader.

### AXIS expands international reinsurance operations

**LONDON**—AXIS Global Accident & Health, a unit AXIS Capital Holdings Ltd., is writing accident and specialty health reinsurance cover-

age from Ireland and the United Kingdom.

Paul Chapman has been named CEO of international accident and health operations and will oversee the global market expansion, based in London, the Pembroke, Bermuda-based insurer and reinsurer said in a statement.

The international insurance operation complements AXIS Global Accident & Health's offerings in the United States and the unit plans further expansion in Europe, Canada, Australia and Asia, according to the statement.

### Zurich backs professorship in risk and economics

**ZURICH**—Zurich Financial Services Ltd. will endow a new professorship in risk and insurance economics at the Swiss Federal Institute of Technology Zurich.

The institute, known as ETH for its German name Eidgenössische Technische Hochschule Zürich, also will receive a donation of 6 million Swiss francs (\$5.7 million) from Zurich. The Swiss-based insurer is providing the endowment through its Z Zurich Foundation.

"With the endowment of the new ETH professorship in risk and insurance economics, we aim to contribute to basic research in the field of integrative risk management," Martin Senn, Zurich's CEO and chairman of the foundation's board, said in a statement.

"The endowment will allow ETH to combine know-how and research expertise to gain important insights into questions that will confront the insurance industry in coming years," he said.

### Brown & Brown acquires S.C. insurance group

**NORTH CHARLESTON, S.C.**—Brown & Brown of South Carolina Inc., a unit of Brown & Brown Inc., has acquired Commonwealth Insurance Group L.L.C.

As part of the acquisition, Brown & Brown of South Carolina will relocate its Charleston, S.C., office and combine with Commonwealth Insurance Group's existing office in North Charleston, S.C., the Daytona Beach, Fla.-based brokerage said in a statement.

Todd R. Tyler, founder of Commonwealth Insurance Group, will oversee the North Charleston office in coordination with Richard K. Hawkins, vp of Brown & Brown of South Carolina, according to the statement.

Founded in 1996, Commonwealth Insurance Group offers property/casualty, benefits, workplace safety, and wellness products and services with annual revenues of nearly \$2.6 million.

Terms of the acquisition were not disclosed.

#### TO SUBMIT ITEMS

*BI's* Market Moves column reports on activities by insurance industry companies and related entities. Please send news of Market Moves to Mike Tsikoudakis, 360 N. Michigan Ave., Chicago, Ill. or e-mail [mtsikoudakis@businessinsurance.com](mailto:mtsikoudakis@businessinsurance.com).

## UP Comings & Goings CLOSE



### DAVID M. SCOTT

**NEW JOB TITLE:** Detroit-based senior vp and chief operating officer for Health Alliance Plan of Michigan, a regional, nonprofit health and wellness plan.

**PREVIOUS POSITION:** Pittsburgh-based vp, operations for Highmark Inc., a Blue Cross & Blue Shield Assn. licensee.

**GOALS FOR NEW POSITION:** My goal is to develop relationships with physicians and other health care providers that will improve quality, ensure access to care, and promote the wise, efficient use of medical resources for our members to address the challenge of making health care more affordable.

#### FIRST EXPERIENCE IN JOB

**MARKET:** Well, you might say that my first job was related to public health. When I was working at a sewer plant as a young man, I learned the importance of a solid infrastructure that supports sanitation. My first job in the industry was negotiating physician and hospital contracts, where some of the lessons learned from the sewer plant,

including a strong work ethic, are still applicable. If you don't focus on forming close, win-win relationships and take care of the details in your negotiations, you can land yourself in a deep pile.

**HOW I GOT TO WHERE I AM:** While in the military, I had a mentor who taught the value of having a beacon, or focus. My mentor would ask "What would you do in combat? What is your beacon?" We all need a beacon to focus on, otherwise it's too easy to veer off course. Focus on our beacon helps to illuminate the correct path.

**WHAT DID YOU WANT TO BE WHEN YOU GREW UP:** When I was growing up, I wanted to serve as an officer in the military and work with tanks. I accomplished both of these goals.

**OUTSIDE THE INDUSTRY, A DREAM JOB:** I love tinkering with old cars, particularly the old American muscle cars from the late 1960s to early '70s. I find it very therapeutic when I can figure out the problems under the hood, and repair them. Problem-solving also is a skill that translates well in the business world.

## Comings & Goings

# ONLINE

**VISIT** [www.businessinsurance.com/ComingsandGoings](http://www.businessinsurance.com/ComingsandGoings) for a full list of this week's personnel moves and promotions. Check our Web site daily for additional postings and sign up for the weekly e-mail.

#### TO SUBMIT ITEMS

*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:

Mike Tsikoudakis  
*Business Insurance*  
360 N. Michigan Ave.  
Chicago, Ill. 60601-3806  
[mtsikoudakis@businessinsurance.com](mailto:mtsikoudakis@businessinsurance.com)

#### POSTING THIS WEEK

##### ASSOCIATIONS:

■ National Assn. of Public Insurance Adjusters

##### BROKERS:

■ Keenan & Associates  
■ Parker, Smith & Feek Inc.  
■ USI Holdings Inc.

##### INSURERS:

■ ACE Continental Europe  
■ America First Insurance Co.  
■ Brit Insurance Holdings S.V.

##### OTHER PROVIDERS:

■ Charles Taylor Adjusting Ltd.  
■ Buck Consultants L.L.C.  
■ Diversinet Corp.



# Safety: U.K. sets review of regulations

CONTINUED FROM PAGE 4

other companies do not.

According to the Assn. of British Insurers, which last year launched a service for claimants to trace the employers liability policies of their former employers, about 98% of employers liability claimants are able to make a claim against a valid policy.

But one source, who asked not to be named, said anecdotal evidence suggests that as many as 5% of employers may not buy sufficient—or any—employers liability insurance coverage.

The U.K. government's Health and Safety Executive oversees the enforcement of the employers liability law through visits to companies, which are required to display a certificate of insurance.

But even though such coverage typically is renewable every year, many years can pass between such visits, said Paul Hopkin, technical director at Airmic.

And while Airmic members purchase the correct levels of insurance, if they subcontract work to other companies, they must ensure that those companies also have bought employers liability insurance, said Mr. Hopkin.

Airmic believes that enforcement of the act needs to change, said Mr. Hopkin. For example, he said that policing the law through the National Insurance Contributions Office of H.M. Revenue and Customs might be more practical, as national insurance—a tax on salary that goes toward Social Security—is another compulsory coverage.

Airmic also called on the government to relax health and safety laws in areas where they have become “too prescriptive” or overly onerous.

For example, rules may require

**APIL said it would welcome ‘an approach from advertisers which clearly explains that compensation is not available for an accident but only when the injury is a result of negligence.’**

that certain pieces of equipment be replaced every 10 years even though such equipment, with proper maintenance, can be useful for much longer than that, Mr. Hopkin said.

Airmic also called upon the government to simplify the claims process for personal injury claims.

The association would like to see

such claims made as simple and as inexpensive to process as possible, to ensure that where there are genuine claims, employees are paid swiftly and receive as much of the settlement as possible, without funds being swallowed up by legal costs, Mr. Hopkin explained.

One area Lord Young is studying as part of his review is the way per-

sonal injury law firms operate. Such firms usually operate on a contingent fee, or no-win, no-fee basis, and are sometimes viewed as aggressively seeking to bring actions. And he has expressed a wish to ban television advertisements promoting claims management companies, which Lord Young described as “ambulance chasers.”

The London-based Assn. of Personal Injury Lawyers, in its submission to the review, said it shares many of Lord Young's concerns.

“For every argument put forward to help educate people about the compensation system for personal injury, which can be notoriously complex and stressful, we appear to see or hear an advertisement which glosses over the realities,” it said.

“Yet we do still believe there is a place for legitimate advertising, as it can help people with genuine personal injury claims to find the help they need.”

APIL said it would welcome “an approach from advertisers which clearly explains that compensation is not available for an accident but only when the injury is a result of negligence.”

In its response to the Young review, London-based labor union the Trades Union Congress said it believed there was a need for greater investment in health and safety.


It highlighted particularly the small-to-medium-sized enterprise sector, where it claims too few employers conduct basic risk assessments.

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### ADVERTISER

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## HISTORY OF 401(K) PLANS

Key points in the development of the plans

**1978:** Congress approves legislation adding Section 401(k) to the Internal Revenue Code to permit cash or deferred pension plan arrangements.

**1981:** Benefit consultant Johnson Cos. sets up the first 401(k) plan for its employees. Under Internal Revenue Service regulations, employees can make pretax contributions to 401(k) plans.

**1985:** Nearly 30,000 plans with more than 10 million participants are in operation.<sup>1</sup>

**1986:** Tax Reform Act slashes maximum annual deferral limit to \$7,000 from \$30,000, tightens nondiscrimination testing requirements, imposes new excise tax on preretirement distributions, and bars tax-exempt organizations and state and local governments from setting up new plans.

**1990:** Plans near 100,000 and participants near 20 million.<sup>1</sup>

**1994:** President Bill Clinton signs legislation allowing employees called to active military service from the National Guard and other reserve units to make retroactive contributions to 401(k) plans when they return to work.

**1995:** Number of 401(k) plans exceeds 200,000 with nearly 28 million people enrolled.<sup>1</sup>

**1996:** New tax law, starting in 1999, exempts plans from nondiscrimination testing if they have generous employer matching contributions. Employers are exempt from the test if they match 100% of lower-paid employees' salary deferrals up to the first 3% of compensation and 50% of salary deferrals on the next 2% of compensation. Alternatively, employers are exempt if they make contributions equal to 3% of compensation for each lower-paid employee eligible for the plan. Plan assets top \$1 trillion, up more than tenfold since 1984.<sup>1</sup>

**2001:** Tax law sweetens 401(k) plans' appeal, including boosting the \$10,500 annual deferral limit to \$11,000 in 2002 with \$1,000 annual increases until a maximum of \$15,000 is reached in 2006; allows employees 50 and older to make extra "catch-up" contributions; allows after-tax contributions to Roth 401(k) plans with tax-free interest; and allows employees to resume plan contributions sooner after making a hardship withdrawal.

**2002:** President George W. Bush signs corporate governance and accounting reform legislation that requires employers to notify 401(k) plan participants 30 days before blackout periods in which transactions cannot be conducted.

**2006:** Congress approves pension funding reform, removing all obstacles for employers that want to add automatic plan enrollment. 401(k) deferral limit tied to increases in cost of living.

**2007:** Number of 401(k) plans nears the 500,000 mark and active participants near 60 million.<sup>1</sup>

**2009:** Assets held by plans rebound sharply after the 2008 equities market meltdown, and total \$2.85 trillion at year-end.<sup>2</sup>

Source: 1 U.S. Department of Labor; 2 RG Wuelfing & Associates Inc.

# 401(k): Plans' growing role sparks calls to revise the rules

CONTINUED FROM PAGE 4

unsophisticated or short-sighted employees.

There are proposed changes in 401(k) plans' structure, though, that would help address these issues, observers say. They include easing regulations so employers can more easily offer annuities as part of their 401(k) plans (see story), removing limits on money contributed to 401(k) plans and simplifying regulations for plan sponsors.

Robert McAree, New York-based senior vp, and retirement practice leader for Sibson Consulting, a division of Segal Group Inc., said 401(k)s were established primarily as "capital accumulation vehicles that individuals would draw down in retirement to essentially supplement a pension." In their current state, though, they were not "well-equipped to satisfy the primary retirement needs of individuals."

Jack A. Abraham, a principal with PricewaterhouseCoopers L.L.P. in Chicago, agreed. For an employer-based system to survive, we "need changes in structure to provide new types of designs that give employers more flexibility" and mitigate employees' investment and longevity risk.

Many observers say they would like regulations changed to make it easier for plan sponsors to have at least part of workers' 401(k) plan assets put into annuities.

While automatic enrollment has been highly effective in boosting participation, observers say they would like to see the cap on automatic escalation clauses in 401(k) plans removed. The Pension Protec-

tion Act of 2006 limits deferrals to 10% of salary.

Forty percent of plans that automatically enroll participants also automatically escalate contributions, according to a 2009 study by Lincolnshire, Ill.-based Hewitt Associates Inc., which Aon Corp. said last week it plans to acquire in a \$4.9 billion cash-and-stock deal.

Greg Burrows, senior vp of retirement and investor services with Des Moines, Iowa-based Principal Financial Group Inc., said he would like plans to be able to remove the 10% salary deferral cap and allow employees to "take as high (a deferral) as they can within the plan design.

However, "I don't think many employees would take advantage of that" if the 10% cap were removed, said Vita Amadeo, team leader with Willis Retirement Services, a Cranford, N.J., unit of Willis Human Capital Practice. "You get to the point where how much is too much, and how many employees can truly elect to save more than 10%, and is it really the employer's place to make that decision?"

Another suggestion is to remove the federal maximum, currently \$16,500, that workers can contribute annually. "That would be one easy adjustment," Ms. Amadeo said.

Some observers also advocate eliminating the annual \$5,500 catch-up limit for workers 50 and older.

Greg Markle, vp and chief operating officer at Romulus, Mich.-based plastics manufacturer Spiratex Co., said young people may not participate in their employers' 401(k) plans in many cases because it "takes a back seat" to buying a house or a car or starting a family.

If they do want to catch up, they may "start hitting ceilings that are imposed because of 401(k) limits that are put on by the government," said Mr. Markle, whose company's 401(k) administrator is Principal Financial.

Arthur Conat, Chicago-based executive director, performance and rewards practice at Ernst & Young L.L.P., said he believes "there could be some basis for going back and recapturing" what workers had not invested in previous years because of competing financial needs.

Simplifying administrative rules also would be welcome, observers say.

"I think from an employer standpoint, I would love to see less kinds of government intervention," said Jette Jensen, office manager for Concord, Calif.-based Eichleay Engineers Inc. of California. The firm must conduct continual tests to make sure it is in compliance with government regulations, she said. The company, whose 401(k) administrator also is Principal Financial, has 246 participants in its plan, Ms. Jensen said.

"Leakage" of funds from 401(k)

accounts with a job change, a loan or as a hardship withdrawal is a significant problem as well, say observers. Young people who withdraw their 401(k) balances as they switch jobs every few years "are going to get to retirement with nothing saved," said Pamela Hess, director of retirement research at Hewitt Associates in Lincolnshire.

"It seems kind of silly" to let workers take money out just because they are changing jobs, said Ms. Hess, adding she would like to make it more difficult for them to do so.

Under current law, a 10% penalty is imposed on most distributions taken prior to age 59½ in addition to taxes.

A related issue is loan withdrawals.

A survey of Fidelity Investments' active participants indicates that 21.3% have taken out loans on their 401(k) balances as of this year's first quarter, said Beth McHugh, Covington, Ky.-based vp of market insights for the 401(k) administrator. "We want to see that trend begin to go downward because...it impacts your ability to compound and the ability of those assets to grow," she said.

"Too often, people think of these plans as being kind of Christmas clubs, almost," rather than future retirement plans, said Alan Vorchheimer, a New York-based principal for Buck Consultants L.L.C.

Limiting withdrawals can be problematic, though, say some observers. The ability to take out loans "may encourage people who may not otherwise contribute" to firms' 401(k) plans to do so, said Bill McClain, a Seattle-based principal with Mercer L.L.C.

## 40%

Forty percent of plans that automatically enroll participants also automatically escalate contributions, according to a 2009 study by Lincolnshire, Ill.-based Hewitt Associates Inc.

## Support expands to allow 401(k) investments in annuities

Many observers say putting at least part of 401(k) plan assets into an annuity, rather than presenting workers with only a lump sum at retirement, to spread out retirement income is a good idea that would require regulatory changes.

Workers "are going to need to have some sort of guaranteed stream of payment to survive at a certain level" and avoid becoming a burden to their families, said Jack A. Abraham, a principal with PricewaterhouseCoopers L.L.P. in Chicago. Providing annuities "is one of the keys" to addressing this issue to get back to a "secure system that's not based on cash" nor on a participant's investment savvy, he said.

Annuities are a 401(k) investment approach the federal government is considering. The U.S. Departments of Labor and the Treasury are reviewing rules under the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code to determine whether workers' retirement security could be enhanced by facilitating access to annuities. This is an ongoing project, a DOL spokeswoman said.

Arthur Conat, Chicago-based executive director of the performance and rewards practice at Ernst & Young L.L.P., said there are people who "may want to have some form of securitized income and right now the 401(k) does not provide, within its own structure, the ability to truly annuitize" and provide a guaranteed future income stream in exchange for

**Workers 'are going to need to have some sort of guaranteed stream of payment to survive at a certain level' and avoid becoming a burden to their families.**

Jack A. Abraham, PricewaterhouseCoopers L.L.P.

a payment today.

"I think companies are concerned about the fiduciary implications of offering annuities," said Pamela Hess, director of retirement research at Lincolnshire, Ill.-based Hewitt Associates Inc. "It's a pretty big undertaking for an employer to do, and there doesn't seem to be much protection for them." When "you look at all the (insurers) that have failed over the past few years," embarking on a decades-long partnership with an insurer to offer annuities is "kind of scary," she said.

Once such a partnership is established, "it's very difficult to unwind." Many plan sponsors "aren't quite comfortable with it and with the fiduciary implications of that," Ms. Hess said.

"I think there is definitely regulatory change that would help make annuities easier

to manage than they are currently," said Bill McClain, Seattle-based principal with Mercer L.L.C.

Greg Burrows, senior vp of retirement and investor services at Des Moines, Iowa-based Principal Financial Group Inc., said he was encouraged that Labor and Treasury are "recognizing the value of income annuities to manage income and provide an income stream for people in retirement."

He said while his company does not endorse the idea of mandating this option, "we do endorse the idea" of proper incentives and the proper safe harbors for employers that wish to offer annuities. "We think they serve a very important place" in helping people managing their retirement.

In testimony before the Senate's Special Committee on Aging last month, Assistant Secretary of Labor Phyllis C. Borzi said the biggest disagreement among those who responded to a request for information on the issue was whether the government should mandate annuities as a distribution option.

Meanwhile, William S. Harmon, vp, 401(k), at Greenwood Village, Colo.-based Great-West Retirement Services, a unit of Great-West Life & Annuity Insurance Co., said his firm has SecureFoundation, a product that offers guaranteed income investment options within a defined contribution plan, and that other insurers have similar products.

—By Judy Greenwald

## Golub: AIG chairman exits in dispute with CEO

CONTINUED FROM PAGE 1

"Bob Benmosche has informed the board that he believes our working relationship as chairman and CEO to be ineffective and unsustainable," Mr. Golub said in his resignation letter.

"At this point, I view asking the board to choose between us would be an abdication of my responsibility to lead. Consequently, I'm resigning for the simple reason I believe it is easier to replace a chairman than a CEO—particularly a company in the midst of two major activities: (1) a major corporate restructuring and (2) development of an exit plan from government control, both of which involve executing a long list of difficult tasks," Mr. Golub wrote.

Tensions between Messrs. Benmosche and Golub reportedly escalated after the board decided to reject a lower offer from London-based Prudential P.L.C. when its shareholders balked at the \$35.5 billion price for AIA Group (*BI*, June 7).

Mr. Benmosche, who supported accepting the lower bid, reportedly told the board at a meeting last month that he wanted Mr. Golub to leave AIG and would resign if it did not happen.

The men, however, reportedly later resolved their differences and agreed to work together.

Mr. Golub, who was chairman and CEO of American Express Co. from 1993 to 2001, joined the AIG's board along with Mr. Benmosche in August 2009. Mr. Miller joined AIG's board in June 2009 (see story).

Observers generally agree with Mr. Golub that a change of chairman is less traumatic for AIG than changing the CEO. Mr. Benmosche is AIG's third CEO since its late 2008 bailout.

Clark Troy, Chapel Hill, N.C.-based senior analyst with a research and consulting firm Aite Group

L.L.C., said Mr. Golub's "judgment was pretty good on that." AIG would have a "difficult time finding another insurance executive with the experience and breadth of relationships and the force of will to keep the ball running forward at AIG."

Mr. Benmosche is "as good a fit for the job at AIG as is likely to be found for now," Mr. Troy said.

However, "There is some sort of moral hazard issue in allowing Benmosche to get into a situation where he can stamp his feet and complain and threaten to quit" unless he gets his way, Mr. Troy said. "I think that there are legitimate concerns about that, but on balance, nonetheless, there's not an obvious other course for AIG to take."

But Stewart Johnson, a portfolio manager with Stamford, Conn.-based Philo Smith & Co., said, this "does not bother me because I think Benmosche is the right guy to do this, and he's never been known for soft-peddling his views and he does what he thinks is right, and the way he conveys that sometimes isn't the most gentle."

John Wicher, principal of John Wicher & Associates Inc. in San Francisco, agreed that a "change at this point in CEO would certainly be more disruptive than the loss of the chairman."

However, he said, AIG needs to "create some stability around the leadership team and position the company to look forward rather than look back, and return to its core operations." This "sort of instability at the top certainly isn't constructive in trying to achieve that level of stability."

Mr. Benmosche is important to AIG but the dispute creates a difficult situation for the company, said Bill Bergman, an analyst with Morningstar Inc., in Chicago.

Mr. Benmosche is "still helpful in terms of cementing morale and confidence within and without the

## 'Turnaround Kid' worked in insurance industry briefly

**NEW YORK**—American International Group Inc.'s latest chairman, Robert S. Miller, may be looking forward to his new role, but his previous experience with property/casualty insurance apparently was less than satisfying.

Mr. Miller was named to the chairman post last week following the resignation of Harvey Golub, who left amid a clash with AIG CEO Robert Benmosche.

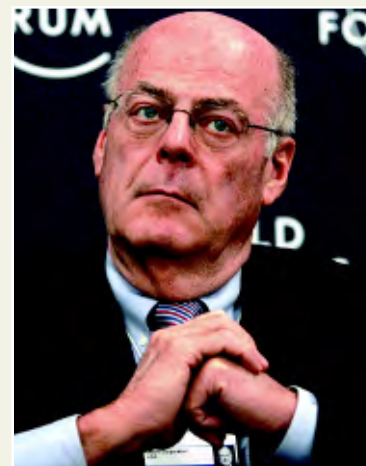
Mr. Miller has had a long career as a turnaround expert, which he chronicled in a 2008 book, "The Turnaround Kid: What I Learned Rescuing America's Most Troubled Companies," penned under the name Steve Miller. That work included an unhappy three-month stint as president of now-defunct insurer Reliance Group Holdings, beginning in late 1999.

In his book, Mr. Miller wrote that Reliance "was already in a tailspin" when its chairman, CEO and stockholder, Saul Steinberg, asked him for help. The company was losing more than \$1 million a day and facing a \$700 million debt load "without the resources to pay it."

He took the job despite his opinion that "insurance isn't an exciting industry," he wrote, because his previous position had ended and Reliance was in his wife's favorite city, New York.

Mr. Miller does not recall the experience fondly.

"I assumed I would have real power inside the company, since I'd report directly to



DANIEL ACKER/BLOOMBERG NEWS

**Robert S. Miller is the sixth chairman of American International Group Inc. since 2005.**

Steinberg, and carry the lofty title of president," he wrote. But he was given the cold shoulder and not permitted to accomplish anything, he notes.

He found himself excluded from the board of directors' executive sessions, as well as from working lunches with major decisionmakers, and had "almost nothing to do." No one other than a secretary reported to him.

He voluntarily resigned from the position.

About a year after he left, he said, every officer and member of the board with the exception of him would face charges of wrongdoing from insurance regulators. It was "one of the least happy stations in my journey through corporate life," Mr. Miller wrote.

—By Judy Greenwald

firm, but it isn't helpful for the continuing revival and confidence in the firm for this turnover to happen," he said.

Cathy Seifert, an equities analyst with Standard & Poor's Corp. in New York, said, Mr. Golub's departure "looks like sort of a vote of con-

fidence for Mr. Benmosche, for his vision and strategy." But there is execution risk concerning the strategy and she said now is "show-me time" for Mr. Benmosche.

The change will not have a significant impact on the company, said Mark Rouck, senior director at Fitch Ratings in Chicago.

"I don't really see there being a change in direction and an overall change in what the company is trying to accomplish in terms of repaying amounts owed the Federal Reserve Bank and ultimately emerging a private company" due to the change in chairman, Mr. Rouck said.

Mr. Miller, AIG's new chairman, is also chairman of New York- and London-based MidOcean Partners, an investment firm. He retired as executive chairman of Troy, Mich.-based Delphi Corp. in 2009, according to AIG. In addition to also serving as chairman and CEO at Delphi, he has held positions at Bethlehem Steel Corp., Federal-Mogul Corp., Waste Management Inc., Morrison Knudsen Corp. and Chrysler Corp.

While at Chrysler, he led financial negotiations with 400 bank lenders and the federal government that resulted in the Loan Guarantee Act bailout package in 1980 that saved the auto manufacturer, according to his MidOcean biography.

Pointing to Mr. Miller's Chrysler experience, Mr. Troy said, "His ability to deal with Washington and Washington's interaction with the financial community is the key set of skill sets that makes him a good choice."

"Why not have an auto guy?" said Mr. Bergman. "He's been in tough situations and dealt with them."

As far as the IPO for AIA, Mr. Troy said he believes the plan may have been motivated by the recent success of the Agricultural Bank of China IPO, which raised \$19.2 billion. "It is not inconceivable that there are other bidders waiting in the wings," he said of AIA. But, "there needs to be a plan in place to progress on AIG" and an IPO is "plausible."

## Hilb: Veterans roll out new business

CONTINUED FROM PAGE 1

space, the company is actively pursuing acquisitions and has a "very strong pipeline" of potential deals, many in due diligence, the younger Mr. Hilb said. Initially, the company will focus on the East Coast, where it aims to be a "dominant player" in the space.

"There are a lot of agencies out there with great specialties in their geographic regions, and we've seen from our prior experience that you can really leverage that" he said. In addition, "many firms of a certain size aren't getting a lot of attention from the other aggregators out there," he said. Hilb will consider large and small acquisitions, he said.

In addition, Hilb hopes to attract potential sellers by offering their principals the opportunity to stay on

board and manage the business. "We really view this as an entrepreneurial opportunity," he said.

Several observers said, at least in the short term, Hilb's aggressive acquisition strategy is going to be a challenge.

"The pool of potential sellers is very slim," said Bobby Reagan, president and CEO of Reagan Consulting Inc. in Atlanta. "Even if the seller is interested, it's going to be hard for a buyer to come up with a compelling offer," he said.

The soft insurance cycle combined with the soft economy have resulted in reduced earnings and, therefore, lower valuations for most agencies, Mr. Reagan said. And with deal terms and structures typically based on a multiple of the company's earnings, "I expect a lot of sellers to wait until the market turns, until they get better valuations," he

said.

Hilb, however, could get "more aggressive in its multiples and deal structure" in order to overcome seller resistance, Mr. Reagan said. In addition, there might be some agencies under pressure that are looking for an exit strategy, observers said.

Hilb is also looking to grow through acquiring talent or specialized teams of producers, a strategy that "makes sense if they have sufficient capital," said Timothy J. Cunningham, a partner with OPTIS Partners L.L.C. in Chicago.

Mr. Hilb declined to comment on investor support, saying only that "it has exceeded our expectations."

Hilb's entry into the middle-market space comes at the same time that some large brokers are pushing into that market. In 2009, Marsh launched the Marsh & McLennan

Agency L.L.C. to serve the needs of companies that generally have less than \$100 million in revenue, and the world's largest broker has made several acquisitions in that space.

Mr. Hilb said he was "not too worried" about competition from the big brokers or from other middle-market brokers. "We think there's plenty of opportunity to go around," he said.

Although Hilb Group does not itself have a track record yet, "we have great history," he said.

The elder Mr. Hilb spent decades buying agencies and brokerages across the country and helping to build HRH into the nation's sixth-largest insurance brokerage before it was bought by Willis, observers said.

"They really do have a great name, with a lot of credibility and experience behind them," said Kevin Donoghue, managing director of Mystic Capital Advisors Group L.L.C. in New York. "I expect this to work to their advantage and

help them be successful," he said.

In building HRH, the elder Mr. Hilb "demonstrated his ability to sell people on his vision," said Mr. Reagan.

In addition, Mr. Donoghue believes that potential sellers whose principals want to stay on board and continue to run the agency will be attracted to the Hilb model, he said.

In addition, several observers said they anticipate the M&A activity to pick up in the second half of the year as market conditions improve.

As for the timing of the venture, "it takes time to build momentum, so if they start a dialogue now and get their story out there, they will probably be in a good position" when the market turns, Mr. Campbell said.

Despite the protracted soft insurance market and weak economy, Hilb is counting on the market turn to accelerate growth. "If either one of these stabilize, then we think there will be a real tail wind," he said.

## Hewitt: Aon buy focuses on benefits

CONTINUED FROM PAGE 1

Aon's book of business, Ms. Hayley said.

Based on fiscal 2009 figures, 49% of Aon Hewitt's revenues would be from consulting services, 40% from benefit outsourcing and 11% from human resources business process outsourcing. By contrast, about 85% of Aon Consulting revenues were derived from consulting in fiscal 2009.

While Hewitt was not seeking to be acquired and intended to remain independent (see story), the deal was compelling for several reasons, said Matt Levin, Hewitt's senior vp

**'This a huge win for Aon. Overnight, this gives them the ability to compete' with the largest benefit consultants.**

Mike Hager, Hager Strategic Inc.

of corporate development and strategy.

For some time, Hewitt wanted to be a bigger player in the middle market, but just didn't have "enough feet" to win more business, Mr. Levin said. "This will help us exponentially in that market," he said.

In addition, Aon has a greater global presence than Hewitt, said Mr. Levin, referring to Aon Consulting and its parent, Aon Corp.

At the same time, the deal is a win for Hewitt shareholders, as Aon will pay a 41% premium for their shares, and Hewitt employees, who will have more opportunities for advancement, he said.

Analysts and others say Hewitt's capabilities will strengthen Aon.

"It makes them a much stronger

## Different paths brought Aon, Hewitt to the altar

Being acquired by Aon Corp. will bring Hewitt Associates Inc.'s 70-year run as an independent company to an end.

Ted Hewitt launched the company in 1940 under the name Edwin Shields Hewitt & Associates as a Lake Forest, Ill., insurance brokerage.

In 1959, Hewitt opened an office in Minneapolis, its first outside Illinois. The office it opened in 1974 in Toronto was its first beyond the United States. It expanded beyond North America with the 1985 opening of offices in Paris and in St. Albans, England, just outside London.

The company became Hewitt Associates Inc. when it went public in 2002. By then, Hewitt had become a benefit consulting and outsourcing giant with more than \$1.7 billion in revenues and 14,600 employees. At the time, it was the nation's second-largest benefit consultant as ranked by *Business Insurance*.

Much of Hewitt's growth has been organic, but several key acquisitions aided its growth.

Its 2002 acquisition of Bacon & Woodrow Ltd. in London

made Hewitt a major player in the U.K. benefits consulting market, while its 2004 purchase of Irvine, Calif.-based Exult Inc. significantly expanded the breadth of its outsourcing services.

Last year, Hewitt generated more than \$3 billion in revenues and had more than 23,000 employees in 32 countries.

Aon, whose origins go back to 1982, when Ryan Insurance Group merged with Combined International Corp., grew through acquisitions.

It acquired storied names in insurance brokering such as Alexander & Alexander Services Inc.; Miller, Mason & Dickenson; Rollins Burdick Hunter Co.; and, more recently, Benfield Group Ltd., the U.K. reinsurance broker it acquired in 2008.

Today, Aon is ranked as the world's second-largest insurance broker. In all, Aon has 36,000 employees operating from 500 offices in 120 countries. Last year, it generated about \$7.6 billion in revenues.

—By Jerry Geisel

### HOW THEY COMPARE

By the numbers, for fiscal 2009

	HEWITT ASSOCIATES	AON CONSULTING
Consulting revenues	\$1.01 billion	\$1.08 billion
Outsourcing revenues	\$2.03 billion	\$191 million
Employees	23,000	6,300
Client concentration	Large employers	Middle market

Source: Company reports

player," said Meyer Shields, an analyst with Stifel, Nicolaus & Co. in Baltimore.

"The Hewitt acquisition will further bolster Aon's already strong

global posture in the consulting area, broaden and complement its overall business risk and earnings profile, and create long-term operational synergies for the enterprise,"

Neil Stein, director of financial institutions rating at Standard & Poor's Corp. in New York, wrote in a research update.

"This a huge win for Aon," said Mike Hager, president of Hager Strategic Inc., a Washington-based outsourcing consultant. "Overnight, this gives them the ability to compete" with the largest benefit consultants, he said in referring to Mercer L.L.C. and Towers Watson & Co.

In addition, Aon's acquisition of Hewitt will add an organization that has been at the cutting edge in employee benefits design and administration, Mr. Hager said. "They anticipate where design is going," he said.

Still, analysts say a major unknown is how quickly and successfully Aon Consulting and Hewitt can be integrated.

"There will be an integration challenge," said Donn Bleau, national practice leader-human capital with executive recruiter Solomon Page Group L.L.C. in San Diego.

In fact, Mr. Bleau said one not-so-obvious beneficiary of the deal could be regional brokers looking to pick up more consulting talent to help clients cope with the requirements of the new health care reform law.

Even if the integration goes smoothly, some Aon and Hewitt consultants may decide to leave and some may be asked to leave if there is a duplication of services, Mr. Bleau said.

Aon said the transaction is expected to generate approximately \$355 million in annual cost savings in 2013, primarily from reduction in back-office areas, public company costs, management overlap and leveraging its technology platform.

The transaction is certain to be scrutinized by antitrust regulators at the Justice Department. Still, the deal should pass muster because there still would be plenty of competition in the benefit consulting industry, with no barriers to prevent new firms from starting up, said Evan Stewart, a managing partner with the law firm Zuckerman Spaeder L.L.P. in New York.

Aon Corp.'s stock closed at \$36.24 Friday, down \$38.34 from the previous week.

## Neal: Pros, cons aired at hearing

CONTINUED FROM PAGE 3

insurance. Mr. Berkley said insurance companies decide how much to charge customers based on competition rather than cost.

"Nothing about this legislation should affect either pricing or capacity," Mr. Berkley said.

However, a Florida official told the subcommittee the plan would result in higher insurance costs for consumers, citing a recent Brattle Group Inc. study. The Cambridge, Mass.-based economic and financial consulting firm projects that Rep. Neal's plan would cost U.S. consumers \$10 billion to \$12 billion more per year to obtain the same

**'International insurers and reinsurers are indispensable for high-risk states such as Florida.'**

Sean M. Shaw, Florida's insurance consumer advocate

coverage, as reinsurers would pass on the cost of their less-favorable tax treatment.

"International insurers and reinsurers are indispensable for high-risk states such as Florida," said Sean M. Shaw, Florida's insurance consumer advocate. Mr. Shaw, the only witness who testified in opposition to the bill, said there was "widespread" opposition to the proposals in the U.S. Gulf Coast states.

Another opponent emerged when Rep. Kendrick Meek, D-Fla., said he "strongly opposed" the measure because "Florida residents are already on their knees" in trying to cope with insurance premiums.

In addition, Rep. Meek told the subcommittee that the entire Florida congressional delegation is "solid" in its opposition to this bill.

Without a co-sponsor, observers say the bill is not likely to succeed as a stand-alone measure. However, they also say it could pass as a revenue raiser on another piece of legislation.

Bradley Kading, president and executive director of the Assn. of Bermuda Insurers & Reinsurers, which also opposes the bill, said the threat "remains very real."

The Obama administration put forth a similar but less far-reaching provision in its fiscal year 2011 budget in February. One key difference between the proposals is the benchmark to defining excessive reinsurance.

The administration plan uses a 50% threshold while the Neal bill would use an industry average.

The key issue for the administration is that "we view it as an anti-abuse proposal," said Stephen Shay, deputy assistant treasury secretary for international tax affairs.

## CNA: Deal with Berkshire eases legacy liability worries

CONTINUED FROM PAGE 3

reinsurers related to the asbestos and environmental pollution claims.

Bret Howlett, an equities analyst with Standard & Poor's Corp. in New York, noted that CNA reported an unfavorable net claim and claim adjustment expense reserve development of \$79 million related to asbestos exposures and \$76 million related to environmental pollution exposures in the fourth quarter of 2009. The insurer's net asbestos and environmental pollution reserves totaled \$1.4 billion in 2009.

"It just adds more consistency anytime you have less uncertainty surrounding accounting charges

and reserve development, especially when it comes to something like asbestos," Mr. Howlett said.

The transaction "does provide more of a certainty around (CNA's) asbestos exposure," said Brian Schneider, an analyst with Fitch Ratings in Chicago. "It's something they have been dealing with for quite a while" and, with the agreement, do not have to be concerned much about anymore, he said.

The \$2 billion premium is a "sizeable amount," but "given that it's \$4 billion of coverage, it's a pretty big cushion for them to be able to withstand any further changes in the liability," Mr. Schneider said.

S&P Credit Analyst Steven Ader said the insurer is "substantially

eliminating the potential for adverse development" in its asbestos and environmental pollution liability reserves. S&P left CNA's ratings unchanged.

Unlike standard reserves, there can be significant volatility associated with asbestos reserves, Mr. Ader said.

For instance, an insurer that is 50% liable on an asbestos claim may find the other insurer on the policy is out of business. "Then, all these claims come to you. You have to assume liability," Mr. Ader said.

Meyer Shields, a principal at Stifel, Nicolaus & Co. Inc. in Baltimore, said, "CNA just doesn't need the hassle of worrying about asbestos, and I would say from Berk-

shire's perspective they're certainly getting more value in assets than the current estimate of liabilities, and Berkshire's capital level means that Berkshire can invest premiums more profitably, or aggressively, than CNA could."

This "means that even if the loss estimates end up higher, they could more than make up the difference on the float," Mr. Shields said.

"We view it as a positive," said W. Dolson Smith, an analyst with Oldwick, N.J.-based A.M. Best Co. Inc., which also left CNA's ratings unchanged. While such transactions are difficult to negotiate, "it's worked out in this case. Here, both sides obviously perceive they will achieve their financial objectives."

## News In Brief

CONTINUED FROM PAGE 1

Global, is comprised of 18 member insurance brokerages operating in more than 50 countries.

### PartnerRe Global names CEO

PartnerRe Ltd. said Emmanuel Clarke has been named CEO of PartnerRe Global, effective Sept. 1. Based in Zurich, Mr. Clarke succeeds Costas Miranthis, who has been named PartnerRe's top executive and will replace Patrick Thiele as CEO on Jan. 1, 2011.

### Liberty Mutual reorganizes commercial markets unit

Liberty Mutual Group Inc. said it has reorganized its commercial markets unit, allowing agents and brokers a single point of contact to access property/casualty and specialty lines of insurance as well as claims and loss-control services.

### Goldman Sachs agrees to \$550M SEC penalty

The Securities and Exchange Commission said last week Goldman Sachs will pay \$550 million—the SEC's largest-ever penalty paid by a Wall Street firm—and reform its business practices to settle charges Goldman misled investors in a subprime mortgage product. Goldman agreed to the settlement without admitting or denying the allegations. The settlement, of which \$250 million would be returned to harmed investors and \$300 million paid to the U.S. Treasury, must be approved in federal court.

### Plan would allow private workers comp in Wash.

A referendum that would allow private workers compensation insurers to compete in Washington state has been certified to appear on the November ballot, according to the Secretary of State's office.

### ACE develops renewable energy underwriting unit

ACE USA said it has developed a renewable energy underwriting unit as part of its casualty risk division in response to the growth of the renewable energy sector. ACE USA, a unit of ACE Group of Cos., established the specialized underwriting unit to provide energy-related products and services, including options for property/casualty and errors and omissions insurance.

### Employer violated duty in investment options: Court

Electric utility company Edison International violated its "duty of prudence" under the Employee Retirement Income Security Act by offering three retail mutual funds as investment options in its 401(k) plan rather than their less costly institutional option equivalents, a federal judge has ruled. However, Judge Stephen Wilson said Edison did not breach its fiduciary duties of loyalty or prudence with respect to three other mutual funds. It also did not breach its fiduciary duty of prudence in its investment in a money market fund, or by failing to negotiate a lower management fee.

### Noted

Jean Drouffe has been named group finance and risk director of **AXA U.K.**, a unit of AXA Group....Mike Roberts has been named executive managing director of **Buck Consultants L.L.C.**, the top leadership position at the benefit consultant.

## Bill creates Federal Insurance Office

Surplus lines were not the only insurance issue addressed in the financial regulatory reform bill that President Barack Obama is expected to sign into law this week.

The measure creates a Federal Insurance Office within the Treasury Department. The office will advise federal authorities on insurance matters, prepare reports and analysis and enjoy some limited pre-emption power over state laws that affect international insurance arrangements.

The property/casualty insurance market had been divided over how much pre-emptory power the office should wield, with some insurers fearing that the office could prove to be a significant step toward federal insurance regulation.

The Risk & Insurance Management Society Inc. considers the new FIO a "start," said Scott Clark, RIMS director-external affairs and risk and benefits offi-

cer for Miami-Dade Public Schools in Miami. RIMS would have preferred the FIO had greater powers, but there was "not even a modicum of federal control" over insurance, so "we think it's a very effective first step," he said.

The measure also addresses reinsurance regulation. It makes a reinsurer's state of domicile—if accredited by the National Assn. of Insurance Commissioners regarding solvency or a substantially similar solvency requirement—the sole regulator for solvency for the reinsurer. Previously the regulatory situation was unclear. It also holds that if the state of domicile of a ceding insurer is accredited by the NAIC regarding solvency, or has substantially similar solvency requirements and recognizes credit for reinsurance for the insurer's ceded risk, no other state can deny such credit for reinsurance.

—Mark A. Hofmann

## Reform: Surplus lines included

CONTINUED FROM PAGE 2

pose as designated in the bill regarding collection and allocation of premium tax on multistate risks," said Susan Nolan, executive director on NCOIL, based in Troy, N.Y.

SLIMPACT stands for Surplus Lines Insurance Multistate Comprehensive Compact. NAPSLO supports the SLIMPACT effort.

In addition to easing regulatory burdens for brokers and risk managers, Mr. Sinder said the change should increase the amount of business placed in the nonadmitted market.

Mr. Sinder noted that one of the goals of supporters of an optional federal charter for insurers is deregulated rates and forms.

"The surplus lines market is deregulated rates and forms. Right now, about 25% of all commercial coverage is placed through the surplus lines market. I expect that to go up."

"If you're a commercial insurer and come up with a new product, why would you ever put that through the admitted market now?" he asked.

### RISK MANAGER STANDARDS

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, H.R. 4173, a "qualified risk manager" must:

Be an employee of, or third-party consultant retained by, the commercial policyholder; provide "skilled services in loss prevention, loss reduction or risk and insurance coverage analysis and purchase of insurance;" and meet one of the following criteria:

- Hold a bachelor's degree from an accredited college or university in risk management, business administration, economics or "any other field" determined by state regulators "to demonstrate minimum competence in risk management" and have three years' experience in risk financing, claims administration, loss prevention, risk and insurance analysis, or purchasing commercial lines insurance.
- Meet the bachelor's degree requirement and hold at least one of several professional designations: Chartered Property and Casualty Underwriter, Associate in Risk Management, Certified Risk Manager, RIMS Fellow or "any other designation or license determined" by state insurance regulators "to demonstrate minimum competency in risk management."
- Meet the professional designation requirement plus have seven years' experience in the categories mentioned above.
- Have 10 years' experience in the categories mentioned above.
- Hold a graduate degree in risk management, business administration, finance, economics or any other field determined by state regulators "to demonstrate minimum competence in risk management."

But Mr. Bouhan said a market boost was not the law's intent.

"This was not intended to be a shot in the arm for the marketplace in the sense that it would immediately be a game changer, but it was done to make the marketplace more efficient, easier to use and thus, over the long term, it will benefit the marketplace and benefit those that have needed the marketplace."

## Survey: Risk managers strive to cut costs

CONTINUED FROM PAGE 4

Commission announced a proxy disclosure recently that will require company board members to be involved in risk management oversight," Mr. Franklin said, adding that ERM generally is viewed as a best practice within the insurance and financial services industry.

Still, it's possible some companies have struggled to put an ERM pro-

gram in place due to budget constraints as well as reduced staff within risk management departments, Mr. Franklin said. He also said some companies may be taking the wait-and-see approach in regard to ERM, citing no clear definition or expectations of what the strategy should accomplish as reasons for the delay.

"I think ERM is more defined now than it was in the past and there is more agreement among advisers on

what the elements of ERM are as Standard & Poor's Corp. and the SEC have identified those core elements," Mr. Franklin said. "I think they're addressing what ERM should entail, which should help that remaining 37% feel more comfortable with it."

Mr. Franklin said there still is plenty of improvement to be made with ERM, including companies that already have a strategy in place. He said many companies think

# 39%

Among other survey results, 39% of respondents said they approve of contingent commissions as long as their broker discloses all compensation in a timely fashion.

ERM is just identifying and categorizing risks, but they often fail to apply metrics and communicate the

company's risk portfolio to its board of directors.

Among other survey results, 39% of respondents said they approve of contingent commissions as long as their broker discloses all compensation in a timely fashion. Eleven percent indicated they have no problem with the fees as long as laws are being followed and records are kept for regulatory review. Only 29% said contingent commissions should not be allowed.

The survey is available online at [www.towerswatson.com](http://www.towerswatson.com).

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## Ex-Chicago Bears score big with workers comp

Former Chicago Bears tight end Gabe Reid never caught a touchdown pass during his three-year National Football League career, but he has caught hundreds of thousands of dollars from the Illinois Workers Compensation Commission.

Mr. Reid was awarded \$325,000 after suffering a right knee injury while playing for the Bears from 2003-2006, according to a Chicago Tribune report last week.

It is the largest workers comp settlement for a pro athlete in the state of Illinois, an attorney told the newspaper.

Mr. Reid is an unrestricted free agent, but has not played in the NFL since the Bears released him in 2006.

The state workers comp office wasn't done doling out the cash to former Bears, though.

The state agency also awarded former All-Pro safety Mike Brown, who led the Kansas City Chiefs in tackles last season, \$140,000 after he suffered leg and foot injuries during his time with the Chicago Bears, according to the Tribune.

Mr. Brown's attorney, Gil Gordon of Chicago-based Gordon Rappold & Miller L.L.C., told reporters the safety would have received more money if he weren't still playing in the league.



AP PHOTO

Former Chicago Bears players Mike Brown, right, and Gabe Reid were paid large workers comp settlements.

# Business Insurance END PAGE

Contributing: Jeff Casale, Sarah Veysey



GETTY IMAGES

A fan of the band Rush has sued the band, charging breach of contract after the band canceled a concert during a storm.

## FAN RUSHES TO COURT

A disgruntled fan of the rock band Rush has been thrust into the limelight after he sued the band because one of their shows was canceled due to rain.

Christopher Langone filed his lawsuit against the band after Rush canceled its July 7 concert at Northerly Island in Chicago, according to a report by the Chicago Sun-Times.

Mr. Langone, a one-time Chicagoan, had flown from New York to attend the concert by his favorite band. After the show was canceled amid bad weather, he filed the lawsuit charging breach of contract. The suit argues that Rush should have

played despite the rain, as the show was characterized as a "rain or shine" event on the ticket stub.

Mr. Langone's lawsuit—which seeks class action status—asks for reimbursement for the tickets he bought—six at \$80 each—\$250 airfare for and funds for round of beers he bought at the venue before the show was canceled, according to the Sun-Times. Mr. Langone thinks the lawsuit will reach class action status given the list of grumbles by other fans in online Rush forums.

The concert has been rescheduled for Aug. 23 at the same venue.

## Lloyd's puts insurance in simple terms

Even the most seasoned insurance professional can find it difficult to explain the complexities of the Lloyd's of London insurance market.

But Lloyd's has teamed up with a London-based educational charity and a London-based school to produce a book that explains—in simple terms—how the world's oldest insurance market works.

A class of 8- and 9-year-old children from the Christchurch Primary School in Tower Hamlets joined forces with London-based educational charity Guy Fox History Project Ltd. and Lloyd's to write "How the World REALLY Works: Insurance at Lloyd's of London."

The book, written in simple English and illustrated with cartoons, traces the origins of the insurance market back to the Great Fire of London in 1666, and Lloyd's beginnings as a coffee house where marine insurance was underwritten.

It explains how policies are underwritten, claims are made, and gives information about the Lloyd's building. The book will be distributed



LLOYD'S OF LONDON

Lloyd's Chief Executive Richard Ward meets with children to teach them about insurance.

to schools, libraries and community centers in the London area.

As part of the Lloyd's tour, the students got to meet Lloyd's Chief Executive Richard Ward, who had just been to the coffee shop, in the underwriting room.

"This lasting impression has meant that Richard can be identified through the illustrations with a coffee cup in his hand," Lloyd's said in a statement.



COURTESY OF AON

## Aon Corp., Manchester United come together

Manchester United players will have another American sponsor's three-letter logo emblazoned on their chests in the upcoming English soccer season, but the current shirt sponsor must be hoping the similarities end there.

Aon Corp. took over from the beleaguered American International Group Inc. as the team's sponsor earlier this year and the home kit for the 2010-11 season was unveiled last week, complete with Aon's logo on the front. It marks the beginning of Aon's four-year shirt sponsorship of the team.

The soccer team has a worldwide following and Aon is banking on the team's popularity to familiarize millions of soccer fans with its brand. Embattled insurer AIG was

Manchester United players, from left, Ryan Giggs, Gabriel Obertan, Wes Brown, John O'Shea and Dimitar Berbatov, model the new Aon-sponsored team shirts, made by Nike, at the official unveiling last week at Niketown in Chicago. In attendance were the senior leaders of Aon and Man Utd.

the club's sponsor until early 2009, when the company was forced to abandon its sponsorship due to financial woes.

In honor of its sponsorship, Chicago-based Aon will give all 36,000 of its employees a Manchester United team shirt.

"Our sponsorship of Manchester United is an important amplifier of our Aon United vision—to work together as one team for clients, for colleagues and for communities in order to grow our firm," said Greg Case, president and CEO of Aon, in a statement. "This shirt sponsorship creates an opportunity for us to unite our firm while telling the world who we are and the value we bring to clients."

Aon dedicated July 15 as "Aon United Global Day," during which the brokerage's offices in 120 countries participated in fund-raising and volunteer activities, demonstrating Aon and Manchester United's shared commitment to serving their communities.

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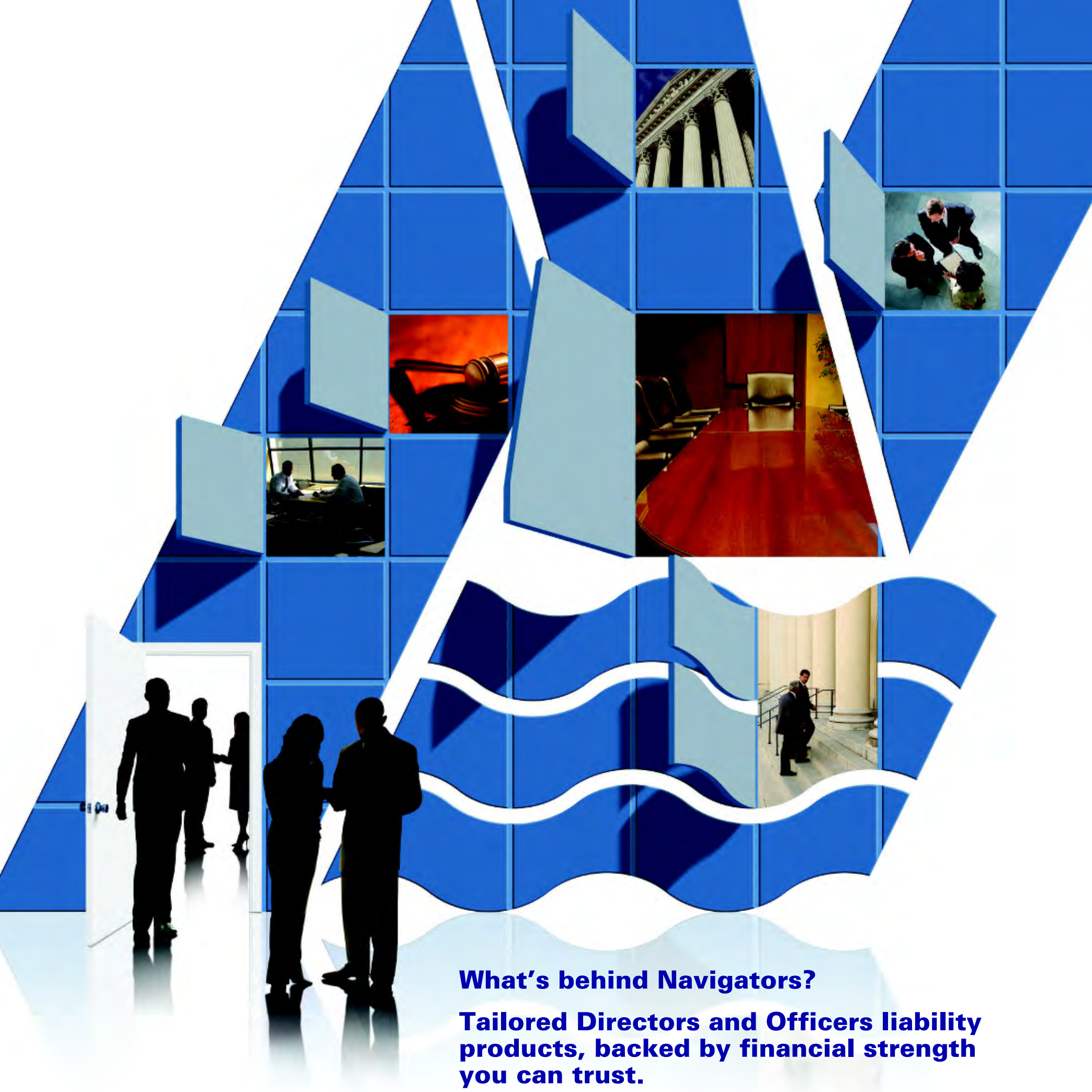


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# AON



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