

\$1 BILLION



The amount a class action settlement in April could cost the National Football League for allegedly failing to protect players from health risks associated with head injuries

RISK MANAGEMENT

Athletes play hardball over concussions

Increased litigation may lead to cuts in coverage

BY STEPHANIE GOLDBERG

Increased awareness about the long-term effects of concussions could lead some insurers to exclude head trauma from policies for professional athletes, experts say.

Additionally, as a fresh wave of concussion-related litigation hit several professional sports leagues last month, pricing for professional athletes' insurance could rise, they say.

While the 3rd U.S. Circuit Court of Appeals in Philadelphia approved a class action settlement in April that could cost the National Football League \$1 billion for allegedly failing to protect players from health risks associated with head injuries, retired NFL players in mid-July also sued Riddell Inc. for allegedly failing to warn them that company's helmets wouldn't prevent brain injuries.

Former professional wrestlers

See **CONCUSSIONS** page 27

HEALTH INSURERS

HEALTH INSURER MERGERS IN JEOPARDY AFTER SUIT CITES COMPETITIVE CONCERNS

Justice Department slams Anthem-Cigna, Aetna-Humana deals

BY SHELBY LIVINGSTON

The U.S. Justice Department's strong objections to merging Anthem Inc. with Cigna Corp. and Aetna Inc. with Humana Inc., outlined in federal litigation filed last month, have left significant doubt about either deal being completed.

Many analysts hold that the \$37 billion Aetna-Humana tie-up has a stronger chance of winning approval than the \$54 billion Anthem-Cigna union.

"We believe that a settlement including divestitures is still probable, and in fact, we think that Aetna has a relatively strong case should this eventually make it to court,"

See **LITIGATION** page 28



MERGER BATTLE

U.S. Justice Department litigation seeks to block the \$54 billion merger of Anthem Inc. and Cigna Corp. and the \$37 billion merger of Aetna Inc. and Humana Inc. on anti-competitive grounds. It alleges that:

- Allowing the mergers would hurt employers, consumers, doctors and hospitals.
- The Anthem-Cigna deal would likely harm competition and raise prices in the employer market.
- The Aetna-Humana deal would reduce competition in the Medicare Advantage market.
- The deals would reduce competition for those seeking health insurance in the public exchanges.

Insurers' counteroffensive touts lower costs, sufficient choice

BY SHELBY LIVINGSTON

Immediately following the U.S. Justice Department's July decision to fight the billion-dollar mergers of Anthem Inc. and Cigna Corp., as well as Aetna Inc.

and Humana Inc., the insurers launched a counterattack.

In a joint statement, Aetna and Humana vowed to "vigorously defend" their union, which they hold would benefit consumers — particularly Medicare Advantage

enrollees — with better-quality and lower-cost health insurance.

Aetna and Humana also took aim at the Justice Department's analysis, arguing there is enough competition in Medicare to support the merger, that Medicare

Advantage and traditional Medicare do compete despite the Justice Department's assertion otherwise, and that divestitures would solve any competition

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New CEO of Worldwide Broker Network discusses her plans for the organization

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EEOC files pregnancy discrimination lawsuit against Brown & Brown

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Buyers find ample capacity and favorable prices in the marine hull and cargo insurance market; drone regulations better define opportunities for insurers; truck telematics drive major changes and improved safety on the open road; and a boatload of data

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A Virginia worker was bitten by a poisonous snake, then learned her workers comp provider was denying her coverage for her treatment.

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NEWS

RISK MANAGEMENT

POKÉMON GO DISTRACTIONS CAN CAUSE ALL KINDS OF HAVOC

From liability to comp, gaming risks are on the rise

BY JUDY GREENWALD

Businesses should review and reaffirm provisions of their cyber insurance to avoid potential liability from a series of issues raised by the Pokémon Go craze.

While the popularity of the augmented reality smartphone game, developed by San Francisco-based Niantic Inc. in partnership with Kyoto, Japan-based Nintendo Co. Ltd. and introduced in July, will inevitably fade, experts say it almost certainly will be followed by other games that may raise even greater risks.

News reports have described many cases of often-unwelcome crowds gathering to play the game on or near private property, with distracted users often wandering into company-owned property.

Experts say the game’s potential risks include malware, loss of private data, property damage, personal injury and workers compensation claims.

At this early stage, “no one really knows for sure what types of liability will arise from it, if any,” said James S. Carter, of counsel at Blank Rome L.L.P. in



AP PHOTO

A sign at the National Weather Service in Anchorage, Alaska, warns Pokémon Go players.

POKÉMON GO RISKS

Issues employers may face due to the smartphone-based Pokémon Go craze

- Malware that infects company systems
- Exposure of individual or corporate data
- Property damage
- Individual and employee injuries

Washington, who recommends that firms examine their insurance policies to be sure they have appropriate coverage in the event of claims. Companies can take other steps to minimize potential liabilities (see box, page 26).

The game, available free to smartphone users, encourages participants to capture images of “monsters.” It displays the monsters’ locations on maps that become in-game loca-

tions of interest, including “gyms” that let players battle train their Pokémon and challenge rival teams, which could be on businesses’ property.

Experts say the game is particularly problematic for many firms that have bring-your-own-device-to-work policies. Some apps that purport to help to players contain malware, said Alan Brill, senior managing director at Kroll Associates Inc. in Secaucus, New Jersey. “If people are using these same devices they use for their corpo-

See POKÉMON page 26

WORKERS COMPENSATION

Opioid law provides limited relief to big problem

BY DONNA MAHONEY

A federal law aimed at cutting opioid addiction lacks sufficient funding and scope, but observers say it still could ease a problem that is a major issue for the workers compensation sector.

In particular, by increasing education efforts and introducing prescription reporting at the national level, the measure will help employers and insurers curb some abuse of the addictive drugs, they say.

Late last month, President Barack Obama signed the Comprehensive Addiction and Recovery Act into law as part of an effort to



raise awareness of the risks of opioid addiction and provide practical solutions to curtail addiction and overdoses.

He expressed disappointment, however, regarding the limited scope of the law.

“This legislation includes some modest steps to address the opioid epidemic. Given the scope of this crisis, some action is better than

none,” Mr. Obama said in a statement. “I am deeply disappointed that Republicans failed to provide any real resources for those seeking addiction treatment to get the care that they need.”

The president had requested more than \$1.1 billion be allocated for the program. The law, however, allows only \$181 million a year.

“One hundred and eighty million dollars is nothing, but now politicians can claim they are doing something about the opioid crisis without actually doing anything,” said Joe Paduda, Skaneateles, New York-based president of

See OPIOIDS page 27

INTERNATIONAL

Truth suffers collateral damage

Insurer must pay up despite lies in the claim

BY MARK A. HOFMANN

Legal experts are divided over the impact of a ruling by the United Kingdom’s highest court that insurers must pay a claim despite a policyholder’s false statement supporting that claim.

While they agree that the U.K. Supreme Court’s 4-1 ruling in *Ver-sloot Dredging BV et al. v HDI Ger-ling Industrie Versicherung A.G. et al.* came as a surprise and is good news for policyholders, there’s disagreement over how widely it will be applied. The decision is, however, another step in liberalizing English law on handling claims.

The case addressed the question of what constitutes a fraudulent claim and how what the court described as “collateral lies” affect a justified claim. The court found that the lie by the policyholder was irrelevant “in the sense that the claim would have been equally recoverable whether it was true or false.”

The case involved damage to a ship, the DC Merwestone, when its engine room flooded in January 2010 as it left the Klaipeda, Lithuanian, bound for Bilbao, Spain. According to the ruling, the engine room was damaged beyond repair.

During an investigation, a company official “developed a theory” that a bilge alarm had gone off but weather conditions kept the crew from investigating. However, the story turned out to be false.

The official’s reason for the lie “was that he was frustrated by the insurers’ delay” in paying the claim and “he believed that it would fortify the claim and accelerate payment if the casualty could be blamed on the crew’s failure to respond to the activation of the bilge alarm,” according to the ruling.

While a lower court held the ship’s owners had a valid 3.24 million (\$3.6 million) claim, it also held that the “claim was lost as a result of the collateral lie about it.” The U.K. Court of Appeals agreed.

However, the high court reversed the lower courts. It noted that the Insurance Act of 2015, which takes effect this month, does not resolve what constitutes a fraudulent claim. The whole claim could have been fabricated or a

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ONLINE
FEATURES

GALLERY

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NEWS

RISK MANAGEMENT

TERROR ATTACKS, HIGHER RISKS
PUT FOCUS ON TRAVEL SECURITY

Good planning helps minimize trouble abroad

BY MARK A. HOFMANN

A safe international business trip begins long before a jet's wheels touch down at the travelers' destination.

A series of recent terrorist attacks as well as questions surrounding safety at this month's Summer Olympics in Rio de Janeiro have underscored the importance of the Boy Scout motto "be prepared" as far as business travel is concerned. From consulting public and private sources of information to prepping travelers on what to expect and what to do when they arrive, risk managers and security experts face a complex task.

The first question that must be answered is simple: Is the trip necessary? If it is, what framework has been put in place to respond to any emergency? Finally, what can the employee do to minimize chances that an emergency might arise?

Knowledge of local conditions is key. Those responsible for corporate travel can tap government resources such as registering in the U.S. State Department's online Smart Traveler Enrollment Program. They also can stay informed by checking for travel advisories and warnings and consular information sheets on the department's



AP PHOTO

Questions surrounding safety at the Summer Olympics in Rio de Janeiro have underscored the importance of preparedness.

website.

"The first thing you would do in a corporate setting is the same thing that government security officials would do, which is to ask yourself how much do you know about the domain in which you're operating or sending your employees?" said Tom R. Blank, a former deputy administrator at the Transportation Security Administration and now Washington-based executive vice president at Gephardt Government Affairs. "Security specialists call that domain awareness."

Companies should have a "for-

malized travel program, including an intake of the information of where the employee is going, why, some review process based on the location," said Tim Horner, managing director and practice leader of security risk management at Kroll Inc. in New York.

Security professionals and corporate managers should decide whether the travel has an appropriate business need and risk level, he said.

They also should ask if the business could be conducted at

See TRAVEL page 25

DISABILITY

Cultural change needed to tackle mental health care

BY GLORIA GONZALEZ

NEW ORLEANS — The crash of Germanwings Flight 9525 is a prime example of why employers must directly address workers' mental health conditions and absence management professionals must make their case straight to the C-suite.

Co-pilot Andreas Lubitz, who was suffering from a mental illness that he hid from his employer, crashed the plane into the French Alps in March 2015, killing 150 passengers and crew members.

Harry Spencer, vice president of compensation, benefits and corporate social responsibility at Jet-



AP PHOTO

The crash of Germanwings Flight 9525 is an example of why employers must address workers' mental health conditions.

Blue Airways Corp. in New York, also discussed nonfatal incidents involving JetBlue employees having mental breakdowns, includ-

ing a 2012 incident in which a co-pilot locked Capt. Clayton Osbon out of the cockpit because of his erratic behavior and a 2010 case in which flight attendant Stephen Slater exited a jet via an emergency slide because he was irritated with passengers.

"For me, the business case is clear, it's obvious, it's evident," Mr. Spencer said during the Disability Management Employer Coalition's mid-July conference in New Orleans. "There's stresses in our business. There's stresses in every business. What can we do as an employer?"

See DMEC page 27

HEALTH CARE REFORM

Political parties
differ widely
on health care

But neither has clout to secure big changes

BY JERRY GEISEL

According to their election platforms, the Democrats and Republicans agree that they would like to change the system established by the Affordable Care Act, but neither party looks to have enough clout to make their changes no matter who wins the presidency.

Those platforms "are more of a wish list than a to-do list," said Geoff Manville, a principal at Mercer L.L.C. in Washington. They will, however, help "frame the debate on health care issues next year."

The Democratic Party platform, approved at last week's convention in Philadelphia, heaped praise on President Barack Obama and



President Obama

congressional Democrats for taking "a critically important step toward the universal health care" by approving the ACA, "which has covered 20 million

more Americans and ensured millions more never will be denied coverage because of a pre-existing condition."

Not surprisingly, the GOP platform has a different view.

ACA "has imposed a euro-style bureaucracy to manage its unworkable budget-busting conflicting provisions," according to the GOP platform. "A Republican president, on the first day in office, will use legitimate waiver authority to halt its advance and then, with the unanimous support of congressional Republicans, will sign its repeal."

Those differences are "significant," said Allison Klausner, a principal and government relations leader at Xerox HR Solutions in Washington. "The GOP platform backs complete repeal of ACA, while the Democrats say they will improve and build upon it."

For example, the Democratic platform says the federal government should provide coverage in the public exchanges, a proposal that likely responds to decisions by UnitedHealth Group Inc. and

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Who is the A+ rated insurer with a growing appetite that writes more than 1,001 different classes of business?

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Cargo
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Engineering &
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RISK MANAGEMENT

Internet of things set to revolutionize insurance world

BY ROB LENIHAN

NAPLES, Fla. — The internet of things promises to be the next industrial revolution, an issue for which risk managers and others must prepare, according to an insurance executive.

Brian Murdock, Atlanta-based managing director of Georgia, Alabama and Tennessee at American International Group Inc., termed the rapidly developing technology as “scary.”

David Haas, Miami-based managing director of Florida for AIG, described it as a “revolution.”

Mr. Haas noted that the internet of things is something “that for most of us here is completely new or something we know very little about.”

While the current environment of rapidly changing technology can make for uncertain times, it is important to consider “how you manage those scary and uncertain times,” Mr. Haas said. “What is the best way to extract the risk?”

He said the current environment of rapidly changing technology can make for some scary and uncertain times, but added that it

is important to consider “how you manage those scary and uncertain times.”

In an AIG study titled “The Internet of Things: Evolution or Revolution?” that was made available at the presentation, Shawn DuBravac, chief economist at the Arlington, Virginia-based Consumer Electronics Association, said that the internet of things “will rival past technological marvels such as the printing press, the steam engine and electricity.”

Mr. Murdock said society has not experienced an industrial revolution since the personal computer came to the workplace in the 1980s.

“I really believe that we’re at the beginning of not an evolution, but really a revolution,” Mr. Murdock said. “Our industry, specifically, is going to be right in the middle of this. It’s an exciting time. It might be a little scary, but we’re going to see, I believe, the world change in significant ways as a result of this technology.”

A simple definition of the internet of things, he said is “when you take one device — it could be a smartphone, PC, laptop — and that device is able to transmit informa-



“It’s an exciting time. It might be a little scary, but we’re going to see, I believe, the world change in significant ways as a result of this technology.”

Brian Murdock, American International Group Inc.

tion through the internet to another device and that occurs without any human intervention. That’s the internet of things.

This kind of connectivity is spurring the growth of drones, telematics and autonomous vehicles while creating new opportunities and concerns for the insurance industry, the AIG executives said during last week’s annual conference held in Naples, Florida, by the Florida chapter of the Risk & Insurance Management Society Inc.

A decade ago, about 500 million devices were connected to the internet, Mr. Murdock said. Today, 10 billion to 20 billion devices are connected, a number he said could grow to 40 billion to 50 billion in five years.

“Innovate or become extinct sounds rather severe,” Mr. Murdock said. “When was the last time you rented a video from Blockbuster? And how often are you now going out and developing your Kodak film? There’s a couple of different companies that failed to innovate and were left behind.”

“We’ve got to take a look at what this technology is going to do to insurance,” Mr. Murdock said. “Rates are certainly going to drop with less people getting hurt, less property damage, but it’s something to anticipate.”

Autonomous tractor-trailers might be safer than human-driven vehicles, Mr. Murdock said, citing rising global auto fatality statistics, but “how do you feel going down the road and looking at the

18-wheeler next to you and there’s either no driver or the driver is clearly not paying any attention?”

“We can’t talk about technology and any changes in how we do business without potential changes in liability,” he said.

While autonomous vehicles hold great promise for reducing traffic accidents, Mr. Murdock wondered if they would be programmed to protect the occupants above all else, or would they be programmed to minimize property damage.

“How is the liability going to change due to regulations (and) legislation?” he asked “You know the federal government is going to have some say in this ... Each state can have its own set of laws and probably will depend upon a variety of factors. There is going to be a shift from elation to fear over new technology, and how will regulators and legislators respond. That’s something that companies have to take into consideration and be aware of.”

Mr. Murdock also discussed the dangers of hacking autonomous vehicles and played a video showing how so-called “white hat hackers” remotely took control of a Jeep Cherokee.

Last year, Sens. Edward J. Markey, D-Mass., and Richard Blumenthal, D-Conn., introduced legislation that would require officials from the National Highway Transportation Safety Administration and the Federal Trade Commission to develop standards for securing vehicles and protecting consumers’ privacy. The measure was sent to committee.

CYBER RISK

Trump’s apparent call for foreign cyber hack of Clinton sparks security concerns

BY JUDY GREENWALD

Republican presidential nominee Donald Trump’s call for Russia to find and expose thousands of emails from Democratic presidential rival Hillary Clinton’s days as secretary of state could be viewed as encouraging the violation of national security and individual privacy laws, and is comparable to inviting attacks on business competitors.

As part of an investigation into her usage of a private email server while secretary of state, Ms. Clinton revealed that while she had handed over 30,000 emails to the State Department, she deleted a similar number that she said were unrelated to her work.

“Russia, if you’re listening, I hope you’re able to find the 30,000 emails that are missing,” Mr. Trump said last week. “I think you will be rewarded mightily by our press.”

After a storm of controversy, however, Mr. Trump the next day said: “Of course, I’m being sarcastic.”



AP PHOTO

Donald Trump’s call for Russia to find and expose emails from rival Hillary Clinton’s days as secretary of state was roundly criticized last week.

Thomas B. Alleman, a member of law firm Dykema Gossett P.L.L.C. in Dallas, said Mr. Trump’s comment is akin to “inviting the thief to steal from a competitor’s store.”

“If you take Mr. Trump’s name off of it and

make it generic, the true message here is that everyone in your audience, every law firm, every business has a competitor who would like to see what is going on in your business and to use that against you if they can,” Mr. Alleman said.

“I’m sure he intended it facetiously, as many things he says are, but it’s an invitation to basically violate applicable laws,” said Michael R. Overly, a partner at Foley & Lardner L.L.P. in Los Angeles.

“One of the greatest threats, in all honesty, of hacking in today’s world is this problem of state-sponsored hacking, where you have China, you have Russia, you have other countries,” including the United States, engaged in the practice, Mr. Overly said. “With the concerns of state-sponsored hacking, one does not want to go down the path of any government,” including ours, engaging in such hacking.

“From a cyber security perspective, anytime you’re inviting an outside entity to

hack into private citizens’ emails, or even a public citizen’s, you’re essentially inviting them to commit a crime,” said Matthew J. Siegel, a member of Cozen O’Connor in Philadelphia.

“Sarcastic or not, it’s a breach of national security potentially, but it’s also a breach of an individual’s private security, both of which could be considered criminal activity,” Mr. Siegel said.

“Cyber security is clearly one of our nation’s top priorities,” said Roberta Anderson, a partner at K&L Gates L.L.P. in Pittsburgh.

“Cyber war, through breaches of cyber security, is likely to be a large part of any war that we would be involved in as a nation, and so inviting a nation state to hack us, to breach cyber security for any purpose, is at a minimum irresponsible,” Ms. Anderson said. Breaching our cyber security “can cause widespread harm and potentially cripple us as a nation.”

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INNOVATION PARTNERS



EEOC sues Brown & Brown for pregnancy discrimination

■ The U.S. Equal Employment Opportunity Commission has filed a pregnancy discrimination lawsuit against Brown & Brown Inc. The EEOC said in a statement that the Daytona Beach, Florida-based broker made a written employment offer to an applicant and sent her an employment agreement for a personal lines technical assistant position at its Daytona Beach location. The company proposed starting dates of either March 30 or April 6, 2015. The applicant emailed the department leader affirming her interest. About two hours later, she spoke with the department leader's assistant and inquired about maternity benefits because she was pregnant. "The assistant immediately advised the department leader and minutes later, the applicant received an email rescinding the job offer," said the EEOC. The lawsuit charges the brokerage with violating Title VII of the Civil Rights Act of 1964, as amended by the Pregnancy Discrimination Act.

Marsh names U.S., Canada president, shuffles execs

■ Marsh L.L.C. announced that Martin South will head its U.S. and Canada business division effective Sept. 1 and that it would realign some of its international units. Mr. South will succeed Rob Bentley, who will work on strategic initiatives across parent company Marsh & McLennan & Cos. Inc.'s risk and insurance segment, which includes both Marsh and Guy Carpenter & Co. L.L.C., Marsh said in a statement. Mr. South will report to John Doyle, president of Marsh L.L.C., and be based in Marsh's New York office, overseeing Marsh's U.S. and Canadian brokerage businesses. Previously, Mr. South was CEO of Marsh's Asia-Pacific region since 2013. In addition, Marsh's businesses in Asia-Pacific and the Middle East, which previously reported to Mr. South, have been realigned into three regional units reporting to Mr. Doyle. David Jacob has been appointed CEO of Marsh's business in Asia, based in Singapore; he most recently served as Asia sales and specialty leader. Scott Leney will continue to serve as CEO of Marsh Pacific, based in Sydney. Stephen Lundin will continue to serve as CEO of Marsh Middle East, based in Dubai.



Mr. South

report to John Doyle, president of Marsh L.L.C., and be based in Marsh's New York office, overseeing Marsh's U.S. and Canadian brokerage businesses. Previously, Mr. South was CEO of Marsh's Asia-Pacific region since 2013. In addition, Marsh's businesses in Asia-Pacific and the Middle East, which previously reported to Mr. South, have been realigned into three regional units reporting to Mr. Doyle. David Jacob has been appointed CEO of Marsh's business in Asia, based in Singapore; he most recently served as Asia sales and specialty leader. Scott Leney will continue to serve as CEO of Marsh Pacific, based in Sydney. Stephen Lundin will continue to serve as CEO of Marsh Middle East, based in Dubai.

Florida workers comp challenge seeks U.S. Supreme Court review

■ The U.S. Supreme Court has been asked to review a challenge of the constitutionality of Florida's workers compensation system in a

case on which the state Supreme Court declined to rule. Miami attorney Mark Zientz petitioned the U.S. Supreme Court seeking a writ of certiorari in *Daniel Stahl v. Hialeah Hospital*. The case questions whether Florida's workers comp system is an adequate exclusive remedy for injured workers following changes that eliminated permanent partial disability benefits. One question in the petition asks if Florida's workers comp law violates the 14th Amendment of the U.S. Constitution "in a case where no benefits can be awarded to an injured worker to cover ... partial loss of future wage earning capacity." Mr. Stahl injured his lower back while working as a nurse in December 2003, two months after workers comp reforms took effect, court records show. The U.S. Supreme Court took no immediate action on the petition.

Marsh & McLennan posts higher revenue, profit

■ Marsh & McLennan Cos. Inc. reported \$3.38 billion in revenue in the second quarter of this year, a 4.7% increase from that of the same period a year earlier. The company's net income climbed 11.9% to \$480 million. Each of the company's four operating companies reported revenue growth. The total revenue of the risk and insurance services segment — which consists of insurance brokerage unit Marsh L.L.C. and reinsurance brokerage Guy Carpenter & Co. L.L.C. — grew 5.7% to \$1.85 billion including fiduciary interest income. Marsh's revenue grew 6.1% to \$1.56 billion, while Guy Carpenter grew 3.6% to \$285 million. Revenue for the company's consulting segment, which consists of employee benefits and human resources consultant Mercer L.L.C. and consultant Oliver Wyman, grew 3.5% to \$1.54 billion. For the first six months of this year, Marsh & McLennan's revenue grew 4.2% to \$6.71 billion, while net income rose nearly 5.0% to \$970 million. Revenue for the risk and insurance services segment grew 4.6% to \$3.72 billion, with Marsh growing 5.1% to \$3.0 billion and Guy Carpenter growing 2.5% to \$659 million. Six-month revenue for the consulting segment increased 3.7% to \$3.02 billion.

NBA players union to fund health coverage for retirees

■ The union representing National Basketball Association players will begin funding health insurance for retired athletes who played at least three years in the league. The National Basketball Players Association voted unanimously in June to establish the retiree health insurance program, which will include medical, hospital and prescription drug coverage through UnitedHealthcare Services Inc., the players association said in a statement. Current NBA players will fund the insurance plan, with coverage beginning Jan. 1, 2017. Retired players who were in the NBA for three to six years but who are not yet eligible for Medicare will be offered medical, hospital and prescription drug

coverage with "modest" out-of-pocket costs. Those with seven to nine years of NBA service will be offered the same coverage with lower out-of-pocket costs. Those who played at least 10 years in the NBA will be offered that lower-expense plan and will be eligible for family coverage. Medicare-eligible retirees who played in the league three to nine years will be eligible for a health plan with no deductible or copayment and a low-cost prescription drug plan. For Medicare-eligible players who played more than 10 years, that coverage will be extended to spouses.

XL Catlin names execs for U.S. West

■ Mike Soper has joined XL Catlin as U.S. Western regional leader. Mr. Soper, who was most recently Zurich North America's regional vice president of distribution for the company's Western region, is based in San Francisco, XL Catlin said in a statement. He succeeds Frank Soldano, who retired, according to a company spokeswoman. In addition, Mark Restrepo has joined XL Catlin as underwriting director for global risk management. Mr. Restrepo, who is also based in San Francisco, was previously managing account executive for Zurich North America's construction casualty business. Lizette Junor has joined XL Catlin as underwriting director of multinational casualty programs in Los Angeles. She most recently served as director and Western region manager for Aon Global Client Network.

Aon posts lackluster second-quarter results

■ Aon P.L.C. reported that revenue for the second quarter of this year dropped 1.4% from that of the same period a year earlier to \$2.77 billion. Revenue for its risk solutions segment, which includes retail brokerage and reinsurance, increased less than 1% to \$1.85 billion, including interest income. Both the retail and reinsurance components of the segment posted revenue increases of less than 1%. In its earnings announcement, Aon said that increase in revenue was driven by a 3% organic growth in commissions and fees, partially offset by a 2% unfavorable impact from foreign currency translation. Revenue for Aon's HR solutions segment, which deals with employee benefits, however, dropped 4.9% from that of the same period a year earlier to \$931 million, which Aon attributed to a 5% decrease in commissions and fees. Net income for the quarter rose 48.9% from that of the corresponding period a year earlier to \$280 million. Net income for the same quarter in 2015, however, had fallen 40.0% from the same period in 2014. For the first six months of the year, revenue dropped 1.7% to \$5.56 billion. Revenue for the risk solutions segment remained virtually flat at \$3.72 billion, while that of the HR solutions business fell 4.5% to \$1.86 billion. Net income for the first half of this year increased 14.7% to \$607 million.

WASHINGTON STAFF MOVES INTO NEW OFFICE

Crain Communications Inc. has moved its Washington office to a new location, a move that also affects *Business Insurance* staff.

The new office, effective Aug. 1, is located at 1200 G St. NW, Eighth Floor, Washington, D.C. 20005. The fax number has changed to

202-434-4529.

Business Insurance Editor-at-Large Jerry Geisel and Senior Editors Mark A. Hofmann and Gloria Gonzalez also have new phone numbers.

Mr. Geisel can be reached at 202-434-4500. His email remains jgeisel@businessinsurance.com.

insurance.com.

Mr. Hofmann can be reached at 202-434-8466. His email remains mhofmann@businessinsurance.com.

Ms. Gonzalez can be reached at 202-434-4512. Her email remains ggonzalez@businessinsurance.com.

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DIVERSITY TRAINING:

By Second City Works, an arm of the Second City comedy club, followed by a networking reception at the Signature Room in the John Hancock Center.

SESSIONS:

- D&I considerations in client engagement
- "Covering" at work
- Technology demonstrations
- Regulator focus on driving diversity in the industry and more...

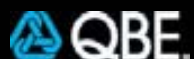
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AIIG adds Brexit coverage to D&O policy

American International Group Inc.'s United Kingdom unit has added coverage to its directors and officers liability policy for the cost of legal challenges associated with the U.K.'s vote to leave the European Union. AIG said the free add-on provided by AIG U.K. will cover legal challenges in the event of permanent residency applications being rejected before Britain's exit from the European Union, and subsequent challenges to repatriation orders post-Brexit. Also covered will be legal costs for U.K. nationals if their applications for permanent residency in an E.U. member state is rejected, the insurer said. The coverage will also pay legal costs for executives living in the U.K. and the E.U. to fight a repatriation order as a result of termination of the U.K.'s membership in the E.U. If the legal challenge to the repatriation order is unsuccessful, the addition will also cover "reasonable" repatriation relocation costs, including moving expenses, travel fees and unpaid school fees for the executives and their direct family members, the insurer said. Besides having no additional cost, there will be no deductible, AIG said.

Bangladesh files murder charges in collapse

A court in Bangladesh formally charged 38 people with murder in connection with the 2013 collapse of the Rana Plaza building, which killed 1,135 people in the country's worst industrial disaster. A total of 41 defendants face charges over the collapse of the complex, which housed five garment factories supplying global brands. Plaza owner Sohel Rana is the principal accused. Public Prosecutor Abdul Mannan said 38 people had been charged with murder while three were charged with helping Mr. Rana flee after the incident. Mr. Rana was arrested after a four-day manhunt, apparently trying to enter India. If convicted, defendants could face the death penalty.

Reuters

Lloyd's syndicate closes in Singapore

Atrium Syndicate 609 will no longer write new business on its Singapore platform. All existing Atrium policies will remain valid, and business will be conducted through its London office, Atrium said in a statement. The business written in Singapore, concentrat-

PROFILE: ITALY

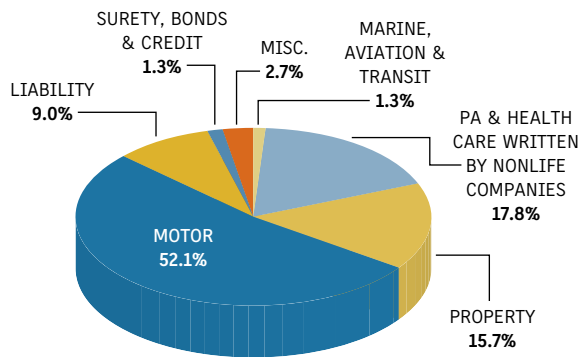
\$29.17
BILLION

2015 P/C gross premiums

Italy, which became a republic in 1946 after nine centuries as a monarchy, is starting to pull out of a prolonged economic slump, though public debt — which stood at 132% of gross GDP in 2015 — and eurozone stability questions remain concerns. Despite continued slow premium growth, insurers are expected to be profitable. The topography of the Italian peninsula is mostly mountainous, with plains and lowlands near the seas, and flooding and earthquakes are the main natural threats. However, low levels of insurance penetration kept losses from the most recent major flood event, in 2012, at a minimum.

and lowlands near the seas, and flooding and earthquakes are the main natural threats. However, low levels of insurance penetration kept losses from the most recent major flood event, in 2012, at a minimum.

MARKET SHARE



Source: Axco Global Statistics/Industry Associations and Regulatory Bodies



AREA
116,311 square miles

POPULATION
60.7 million

GLOBAL P/C MARKET RANKING
9

2016 GDP CHANGE (PROJECTED)
0.7%

MARKET DEVELOPMENTS

UPDATED MARCH 2016

- A December 2015 resolution by regulatory body Istituto per la Vigilanza sulle Assicurazioni creates an incentive-based mechanism for motor insurers using parameters such as average claims cost, speed of settlement and claims costs over time to the benefit of efficient insurers.
- A March 2015 IVASS regulation allows the use of certified email, digital signatures and e-payments to simplify the relationships between insurers, intermediaries and clients.
- A legislative directive passed in May 2015 allowed the adoption of Solvency II capital requirements on Jan. 1, 2016.
- Fondo Assicurativo Tra Agricoltori S.p.A., an agriculture specialist acquired by Società Cattolica di Assicurazione-Società Cooperativa from Assicurazioni Generali S.p.A. in 2013, was fully incorporated into Cattolica in April. Lloyd's of London coverholder AEC Underwriting Agenzia di Assicurazione e Riassicurazione S.p.A. in January became Italian managing general agent of CNA Hardy, a unit of CNA Financial Corp. HDI Assicurazioni S.p.A., a unit of Talanx A.G., acquired CBA Vita S.p.A., Sella Life Ltd. and InChiaro Assicurazioni S.p.A. from Gruppo Banca Sella S.p.A.

COMPULSORY INSURANCE

- Third-party liability for motor vehicle, aviation, rail and boat operators
- Liability for charities or volunteer organizations
- Hunters liability
- Liability for nuclear plant operators and fissile materials carriers
- Liability for blood donor and transfusion centers
- Liability for winter sports operators and sports federations
- Liability for educational establishments

NONADMITTED

Unauthorized insurers cannot carry on insurance activity in Italy. To do business in the country, the insurer must have an office there or in any European Economic Area nation (the European Union, plus Iceland, Liechtenstein and Norway). Likewise, buyers cannot place business with nonadmitted third-country insurers.

INTERMEDIARIES

Agents and brokers have to be authorized to carry on business in Italy. Registered intermediaries cannot place business with nonadmitted insurers.

MARKET PRACTICE

IVASS monitors for nonadmitted insurance, issuing alerts when it finds insurers operating without authorization. Penalties for carrying on unauthorized insurance activity range from two to four years in prison and fines up to \$217,000.

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

ing on marine, aviation, energy and terrorism lines, represents less than 2% of Atrium's annual worldwide premium income, according to the statement. "We cannot see the operation growing to the size that we had previously envisaged given the specialty lines that Atrium Singapore concentrates in, hence our decision to regrettably cease underwriting from the platform," Richard Harries, CEO of Atrium Underwriting Group Ltd., said in the statement.

Cayman Islands names insurance supervisor

The Cayman Islands Monetary Authority has named Ruwan Jayasekera as head of the Insurance Supervision Division. Mr.

Jayasekera was the acting head of the division, the authority said in a statement. He is based in George Town, Grand Cayman.

XL Catlin completes domicile move

XL Catlin has completed the relocation of its incorporation to Bermuda from Ireland. The company announced the plan in February, stating that the move reflects the greater concentration of Bermuda-based operations in its balance sheet since XL's acquisition of Catlin Group Ltd. last year and Bermuda being recognized last November as having full regulatory equivalence under the European Union's Solvency II regulatory regime. To effect the move,

a new Bermuda exempt company, XL Group Ltd., will replace XL Group P.L.C. as the ultimate holding company for XL Catlin, the insurer and reinsurer said at the time. The move went against the trend of the past 10 years in which several insurers and reinsurers with major operations in Bermuda have redomesticated to domiciles in Europe.

Peruvian broker sells portfolio to JLT Re

JLT Re, the reinsurance arm of Jardine Lloyd Thompson Group P.L.C., has acquired the portfolio of Lima, Peru-based Olsa Re. Terms of the deal were not disclosed. Olsa Re is a Lima, Peru-based reinsurance broker that specializes in

construction, mining, energy, oil and aviation, serving Colombia, Ecuador and Costa Rica, JLT Re said in a statement, adding that Olsa Re aviation brokers Jose Espinosa and Clara Escobar have joined JLT Re Peru to manage the aviation line.

Canada to phase out crude-by-rail cars

Canada will take older tank cars out of crude-by-rail service much earlier than originally planned, its transport minister said. It's the government's latest move to toughen rail safety after a deadly 2013 crash. The decision, which moves Canada's retrofit schedule further ahead of the United States', was partly prompted by a sharp

drop in oil prices since 2014 that has cut the volume of crude transported by rail. "With fewer cars in use, the industry has more capacity to retrofit existing cars to the current standard," said Delphine Denis, a spokeswoman for Transport Minister Marc Garneau. Some older DOT-111 tanker cars had been scheduled to go out of service on May 1, 2017. A version with an extra layer of metal to make it stronger was set to be phased out March 1, 2018. Both types of cars will be taken out of service by Nov. 1, 2016, Mr. Garneau said.

Reuters

Berkshire specialty unit adds to Canada offerings

■ Berkshire Hathaway Specialty Insurance Co. has launched new executive and professional lines products for financial institutions in Canada. The products include: Financial Institution Bonds, including manuscript/enhanced forms 14, 24, 25 for Canada and fiduciary bonds; Professional First Asset Manager Liability Insurance for hedge funds, mutual funds, private equity funds, venture capital funds and other investment funds and firms; Professional First Bankers Professional Liability Insurance for banking and lending institutions, including credit unions; Professional First Insurance Company Professional Liability Insurance for property/casualty and life insurance companies.

Claims manager acquires services provider

■ Insurance and claims management firm Charles Taylor P.L.C. has acquired Chichester, England-based Cega Group Services Ltd. Terms were not disclosed. Cega Group is a specialist provider of technical medical assistance and travel claims management services, London-based Charles Taylor said in the statement.

XL Catlin staffs up for Africa launch

■ XL Catlin has set up a reinsurance unit focused on providing facultative and treaty reinsurance across Africa. Alex St. James has been named head of Africa for XL Catlin's reinsurance operations, and Matthew Gillies has been named actuarial underwriter, the insurer said in a statement. Messrs. St James and Gillies come to XL Catlin from London-based One Re Ltd. and remain based in London. "Africa is a varied and complex collection of frontier and developing markets, generally rich

in resources and increasingly home to international companies," David Watson, XL Catlin's chief executive for EMEA reinsurance, said in the statement.

South Korea blames North for data breach

■ South Korea says it suspects North Korea of hacking a South

Korean online shopping site and stealing personal records of more than 10 million shoppers. The South's national police agency said it had traced the data breach to North Korea's spy agency, and it had detected the same IP addresses and codes similar to ones used in previous attacks. North Korea has denied wrongdoing. Online shopping operator Interpark Corp. said the hacking occurred in May. A hacker had sent emails demand-


ing money in bitcoin virtual currency, it said. Its shares are down 6% since news of the hack broke.

Reuters

Reinsurance broker expands cyber team

■ Capsicum Reinsurance Brokers L.L.P. announced that it has made additions to its cyber coverage

team. Patrick Bousfield has been named broker, while Jane Palmer and Alice O'Dwyer-Smith have been named account managers, London-based Capsicum Re said in a statement. Previously, Mr. Bousfield was a broker at EC3 Brokers, Ms. Palmer was a broker in the specialty casualty team at BMS Group and Ms. O'Dwyer-Smith was a broker on Willis Re's non-marine team. They will be based in London.


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BROKERAGE NETWORK CHIEF SUPPORTS INTERNATIONAL GROWTH

Q How did you happen to come to work at WBN?

A I came in last July as the president and chief operating officer. That position was created by the board to help put more infrastructure around certain areas, including multinational training, career relationships and employee benefits.

I had a very close working relationship with (former CEO) Bruce Basso and the board when I was at AIG. When Bruce and I began discussions about me working at WBN, he was very clear upfront that he would name me to take over the CEO role a year from the time I came in.

I'm following in such great shoes. Bruce is just a legend. His perspective on the independent network — and I think the respect, the credibility, he has with the insurance carriers — has really served WBN so well.

Q What are your plans for the organization?

A I'm going to continue on the same path for some of the signif-

Q&A

icant areas that have served WBN well. Europe was an area that I felt needed someone on the ground, so we've hired (Toni Gambonini, CEO of Gambonini Consulting Ltd., in London) to run our European initiative and to conduct multinational training.

Q What are the challenges facing WBN?

A Certainly, the current wave of (merger and acquisition activity). We've had a number of our members purchased by private equity firms, so I think the consol-

idation of the industry is very important, and the change in ownership.

But frankly, it has been, for the past 40 years, a fact of life that acquisitions of these insurance firms have been going on, so we are prepared if we have to replace our U.S. members. We have inquiries weekly on joining.

We don't see (technology) as so much of a challenge as an opportunity. We have committed significant capital to create our technological platform, called WNet 3.0, and we partnered with (Chicago-based risk management software firm Origami Risk L.L.C.) to create this platform. The priority of the platform is to support global risk programs. It's a collaborative global system where clients can view their international risk programs, their policies and documents.

Q What impact do you anticipate Brexit will have on WBN?

A We are looking at it very closely, keeping our members advised as we get information. We have a designated site on our website for Brexit. We are still waiting



FRANCIE STARNES

WORLDWIDE BROKER NETWORK

Francie Starnes, who was named chief executive of San Mateo, California-based Worldwide Broker Network on Aug. 1, joined WBN as president and chief operating officer in July 2015 after a 23-year career at American International Group Inc. Members of the international network of independent insurance brokers and employee benefits consultants generate an estimated \$50 billion in property/casualty and employee benefits premiums annually. She

discussed her plans for the organization with *Business Insurance* Senior Editor Judy Greenwald. Edited excerpts follow.

to see, with the next government in place, the prime minister in the U.K., how she will be overseeing it and the implications.

Q Is there anything else you'd like to add?

A One thing we haven't touched on is, what is the advantage of an independent broker network as opposed to an owned network.

We're in 101 countries, so we have a very broad footprint. Our members have very long-standing roots. They're very familiar and knowledgeable with respect to their country's laws, the insurance requirements and their cultural and economic considerations. They are on-the-ground resources, and many of our firms are actually going from one generation to the next.

COMINGS & GOINGS

UP CLOSE: MARK R. SHUMWAY

PHILADELPHIA-BASED GLOBAL HEAD OF STRATEGIC ADVISORY

JLT Re (North America) Inc.

PREVIOUS POSITION: Singapore-based head of strategic advisory, Asia-Pacific, Guy Carpenter & Co L.L.C.

LOOKING FORWARD TO: Joining a growing, entrepreneurial firm that understands the need for continuous investment in order to deliver long-term value to clients and shareholders.

CHALLENGES FACING INDUSTRY: Continued low interest rates, competition from low-cost new entrants — including leaders in other industries — and an increasing gap between economic and insured exposures due to institutionalized risk aversion.

CRYSTAL BALL: Without going too far out on a limb ... within 15 years, much of the transactional and administrative role of reinsurance brokers will be replaced by distributed ledgers, leaving brokers primarily with analytical and advisory roles.

FIRST INDUSTRY JOB: My first corporate exposure to the insurance industry was at KPMG (L.L.P.), then known as KPMG Peat Marwick.



WHAT SURPRISED ME: The complexity and diversity of insurance products and the extent to which global economic growth and stability depend on the performance of those products and their carriers.

ADVICE: Try new things, visit new places, insert yourself into situations that are uncomfortable.

OUTSIDE THE INDUSTRY, A DREAM JOB: Community financial planner. I want to help people get their finances in order so they can eliminate one worry and do better things with their time.

THING MOST PEOPLE DON'T KNOW ABOUT ME: I worked my way through college doing a string of jobs, including driving a van and guiding tours in New York City.

DON'T LEAVE THE HOUSE WITHOUT: Clothes. And hopefully a smile.

PET PEEVES: Parochialism.

WHEN I RETIRE: Financial planner, in Hawaii. Or New Zealand.

Professional Moves & Promotions

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All Risks Ltd.	Erika Montoya
Integro Ltd.	Esther Ro
XS Brokers Insurance Agency Inc.	Alan Dudkiewicz
Willis Towers Watson P.L.C.	Kemp Ross
Lockton Cos. L.L.C.	Jeffrey A. Sumner

INSURERS

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Berkshire Hathaway Specialty Insurance Co.	Emma Osgood
Chubb Ltd.	Lauren Webb
CNA Financial Corp.	Rick Childs
Pen Underwriting Ltd.	Adrian Scott
Sompo Canopus A.G.	Laurie Banez
XL Catlin	Lizette Junor

OTHER

Cayman Islands Monetary Authority	Ruwan Jayasekera
Hanover Stone Partners L.L.C.	William P. White

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: Joyce Famakinwa, *Business Insurance*, 150 N. Michigan Ave., Chicago, Ill. 60601-7524. jfamakinwa@businessinsurance.com.

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EDITORIAL

ACA RIPE FOR REPAIR NOT RAZING

When it comes to the health care reform law, Republican Party leaders couldn't be clearer on what they want: Its repeal. The GOP 2016 platform adopted last month at the Republican National Convention in Cleveland doesn't mince words about the Patient Protection and Affordable Care Act.

"Any honest agenda for improving health care must start with repeal of the dishonestly named Affordable Care Act of 2010: Obamacare. It weighs like the dead hand of the past upon American medicine," the platform says.

To be sure, there are big problems with the ACA, not the least of which is far fewer people than expected have enrolled in public insurance exchanges, while several major insurers, hit by big losses, are significantly reducing the number of exchanges in which they will do business next year.

Those problems and others must be addressed by regulators and legislators. For example, it has become clear that one of the reasons exchange insurers are losing money is adverse selection as individuals put off enrollment until they have medical problems. That type of abuse has to stop.

Lawmakers also must repeal the law's "Cadillac" tax, a popular reference to the ACA's provision that, starting in 2020, imposes a 40% federal excise tax on health care premiums that exceed \$10,200 for single coverage and \$27,500 for family coverage.

The theory is that the tax would raise billions in new federal revenue as employers who cut benefits to avoid the tax would raise employees' taxable wages so they could better afford to pay for uncovered health expenses. But there is no evidence to back that theory.

Further, the excise tax is likely to place a heavier and unfair burden on employers in parts of the United States with the highest health care costs.

That said, the health care reform law's accomplishments are significant. It has slashed the nation's uninsured rate with its federal premium subsidies for lower-income people to get coverage in exchanges, subsidies for states that agree to ease eligibility requirements for Medicaid and the requirement that employers extend coverage to employees' adult children up to age 26.

We hope legislators and the next U.S. president keep the ACA's successes and problems in mind as they work to improve, not repeal, the law.

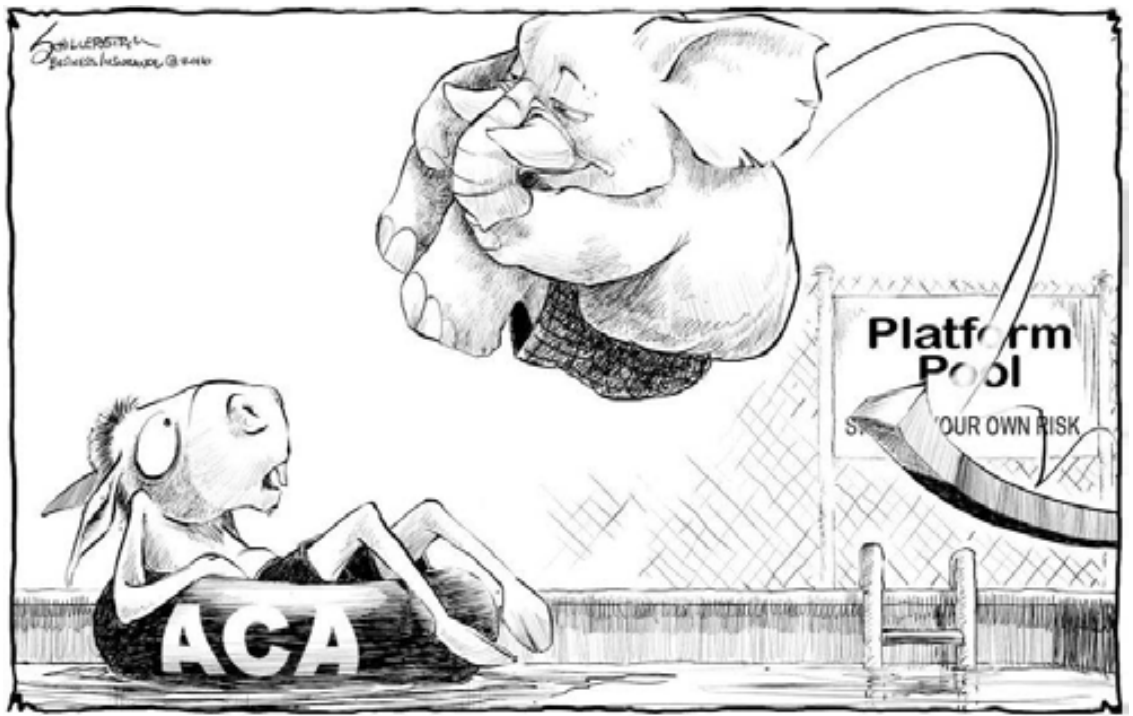
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SCHILLERSTROM



COMMENTARY

MORE SERIOUS GLOBAL RISKS CALL FOR THICKER ARMOR

Risk managers and insurers with international operations or exposures have had a lot to think about over the past several weeks.

To begin with, the decision by voters in the United Kingdom to exit the European Union continues to baffle many inside and outside the country. Dry economic analysis suggests that the decision will likely hurt the country financially, but U.K. voters' willingness to leave an organization that developed from a post-World War II trade pact into a cornerstone of the modern geopolitical order says much about current feelings in Britain and elsewhere regarding issues such as national sovereignty and immigration.

How the Brexit vote will affect business remains unclear, but it's fairly safe to say it will be disruptive.

In the insurance field, some insurers in London have said they are looking to roll out contingency plans and establish operations or licenses in countries that will remain part of the European Union after Britain leaves. And last week, about a month after the vote, American International Group Inc. launched some Brexit insurance coverage.

The free add-on to its directors and officers liability policy will cover legal action if their applications to become a permanent resident of the U.K. or E.U. member are rejected. The coverage presages the difficulties companies may face as Britain negotiates with the E.U. over freedom of movement, which allows E.U. residents to live and work in other E.U. countries.

In the big picture, the insurance won't be covering a huge exposure for companies or their executives, but it's indicative of how quickly insurers can react to an exposure and an opportunity. Indeed, much of the



GAVIN SOUTER
EDITOR

financial risks arising out of the U.K.'s vote will fall into the category of general business risks, which insurers cover at their peril.

Other events overseas highlight the growing risk of violence facing companies operating internationally. Shocking terrorist attacks in France and the coup attempt in Turkey, which has also suffered terrorist attacks, present distinct problems

for organizations with overseas locations and staff.

While the pursuit of growth and profit is the driving force behind most international expansion efforts, from a risk management perspective, protection of people and property remain key concerns that have become a lot more concerning in light of these events.

Successful risk managers are expected to find ways to make their businesses' operations work regardless of the challenges, but in the face of new terrorist tactics and political disruptions in once-relatively stable countries, it is tough for risk managers to live up to those expectations.

While tapping available insurance coverage – whether new-style Brexit cover or old-style property and political risk cover – is an option, such insurance can't provide a complete shield for the barrage of risks. Instead, companies must take time to update their international risk management plans to reflect the new reality of global exposures.

Look hard at the risks involved before leaping into the cloud

“Cloud computing” has been an information technology darling since it became increasingly widespread over the past decade. Offering more flexible, accessible and less-expensive resources, cloud computing is an attractive alternative to traditional computing environments. But it has its costs, including increased security risks and web-based threats, particularly as it accessed through mobile devices. Edgar Germer of OneBeacon Technology Insurance discusses the risks of operating in the cloud and measures companies should take to assess the risks they face when they make the move.

The National Institute of Standards and Technology defines cloud computing as convenient, on-demand network access to shared configurable computing resources. Think of cloud computing as a utility like a gas or phone company. An organization buys computing and storage space and services and pays at the end of the month. Data exists on the provider’s remote servers (“the cloud”) and is accessed over the internet.

Five characteristics typically differentiate cloud services from conventional computing:

- **On-demand self-service** — Users directly buy computing services with minimal interaction with the provider.

- **Broad network access** — Services are available over the internet and accessed through “thin” (smartphone or tablet) or “thick” (laptop or desktop computer) platforms.

- **Resource pooling** — Storage, processing, memory, bandwidth and hardware are shared with other users.

- **Rapid elasticity** — Services can be rapidly purchased in any quantity at any time and discontinued with equal ease.

- **Measured service** — Usage is monitored, controlled and optimized.

Four, primary cloud-service models are used — private, public, community and hybrid — with offerings ranging from single occupancy configurations (private) to shared services available to multiple clients.

The client’s degree of control over the computing environment depends on the type of cloud used, ranging from almost no control in public clouds to full control in private clouds.

Just as different deployment models affect an organization’s scope and control over the cloud, so, too, does the providers’ service model. Three common ones are:

- **Software-as-a-service** — Providers host software while subscribers connect and use it, eliminating the need for software downloads. Examples include Twitter, Facebook, Yahoo,

Gmail and Salesforce.

- **Platform-as-a-service** — This offers software developers tools to create applications. Examples include Microsoft Windows Azure and Google App Engine.

- **Infrastructure-as-a-service** — This provides servers, software, data center space or network equipment resources as a metered, outsourced service. Examples include Amazon Elastic Compute Cloud and Rackspace.

Think of cloud computing as a utility like a gas or phone company. An organization buys computing and storage space and services and pays at the end of the month.



Cloud computing becomes even more attractive on mobile devices because it provides on-demand access, computing, networking and storage capabilities without the software memory drain.

Authentication

Accessing applications over the internet is easy, but security risks can be high. Authentication verifies that the user is who he says he is. To increase assurance, authentication should be combined with encryption and secure data transmission protocols. Various authentication mechanisms have been proposed to secure data access suitable for mobile environments. Examples include login IDs, passwords, personal identification numbers and multifactor authentication. Applying identity management and other security measures, including malicious code detection, through the cloud is more convenient and reduces consumption of limited processing capability on mobile devices.

Winning the battle

No network can be 100% secured. Therefore, an organization should:

- **Define objectives** — Prioritize objectives and set realistic risk tolerances to allocate resources to critical areas.

- **Implement a security plan** — Understand the threat landscape, such as hacking, cyber attacks, media and social scams, and protect the organization using policy and technology (endpoint security, firewalls, antimalware and antivirus software).

- **Prepare an attack response** — Respond quickly to a breach to mitigate damage.

- **Establish a security awareness culture** — Employees working together to safeguard enterprise data; it takes only one mistake to infect a network.

Organizations planning to take advantage of the low costs and high accessibility of a mobile cloud computing platform should follow federal National Institute of Standards and Technology recommendations:

- Carefully plan the security and privacy aspects of cloud computing before adopting it.

- Understand the environment offered by the cloud provider and ensure that it satisfies organizational security and privacy requirements.

- Ensure that the client-side environment meets organizational security and privacy requirements for cloud computing.

- Maintain accountability over the privacy and security of data and applications in cloud computing environments.

In other words perform a risk assessment, understand the exposures and proactively reduce risks to an organizationally acceptable level while understanding that the organization is ultimately responsible for safeguarding its data and data of others under its care, custody and control.



Edgar Germer is a risk control specialist at OneBeacon Technology Insurance. Contact him at 610-213-0671 or egermer@onebeacontech.com.



4 TOP ADVANTAGES OF 1ST-PARTY OCEAN CARGO COVERAGE

1. Tailored coverage
2. Greater transparency
3. Lower pricing opportunities
4. More responsive claims resolution

A BETTER WAY TO PROTECT YOUR CLIENTS' GOODS AND THEIR WALLETS.



Businesses can lower their shipping insurance costs and secure a policy that better fits their exposures — while getting a more responsive claims resolution.

CAREFUL ATTENTION TO UNIQUE EXPOSURES

Many businesses aren't aware of the greater flexibility, transparency and lower pricing opportunities available through first-party ocean cargo insurance.

Certain businesses in particular should consider ocean cargo insurance. These include:

- Manufacturers
- Technology companies
- Wholesalers and distributors
- Installers and processors

When businesses purchase coverage through their shipping carrier or freight forwarder, their shipment is often grouped in a commodity rate. This can leave them with insufficient coverage, depending on the actual value of their goods.

BETTER COVERAGE FOR THEIR DOLLARS

Switching to a first-party ocean cargo policy provides the ability to tailor coverage based on a business's specific exposures.

The Hartford's Ocean Cargo Choice[®] policy provides broad coverage for damage to goods being shipped by air or sea. Coverage is tailored according to the terms of sale, whether the exposure is primary or contingent.

PROOF OF NEGLIGENCE NOT REQUIRED

A business simply needs to show loss or damage to its shipment for the ocean cargo policy to respond. Proof of negligence is not required.

NO MIDDLEMAN, NO EXTRA FEES

Also, by purchasing their own policy, businesses can avoid extra fees from freight forwarders, shipping brokers and other middlemen. In short, they can purchase more precise coverage at a lower cost.

OCEAN CARGO INSURANCE: KEY CONSIDERATIONS

1. **Replacement coverage?** Buying ocean cargo coverage through a steamship, air cargo or express carrier may not cover full replacement value of a customer's goods. While most freight forwarders offer full value coverage options, the rates are typically higher than for comparable coverage from a business's own insurer.
2. **Limitations or exclusions?** Coverage offered by a freight forwarder may include certain exclusions and limitations that result in policyholder obligations for the business if a customer's goods are lost or damaged.
3. **Gaps in coverage?** Freight forwarders often insure each shipment separately port to port. There may be no coverage if a shipment placement is overlooked. A better alternative is The Hartford's Ocean Cargo Choice "all-risk" policy, which:

- Covers every type of cargo being moved legally anywhere in the world, by any conveyance means, with no advance reporting requirement
 - Can extend to warehouse and transshipment locations
4. **Claims handling?** Businesses, such as foreign manufacturers of parts sourced for U.S. manufacturing, typically use foreign insurers in their own countries, which can complicate claim resolution. A manufacturer that secures shipping coverage from its U.S. property package insurer has the benefit of working with its local broker, as well as the protection of applicable state laws in the event of a problem. The Hartford Marine has dedicated marine claims adjusters ready to assist if the unfortunate happens. Leave the headaches of subrogation to us.

SPECIALIZING IN MARINE RISKS

In this age of global trade, the uncertainties and complexities of a business's shipping-related risks are best handled by experienced marine underwriters.

"Our marine team has decades of experience in addressing our customers' specialized cargo protection needs," said David Higley, vice president of The Hartford's Marine insurance practice.

Dedicated marine underwriters in The Hartford's offices across the country,

as well as experts in risk control and claims management, work closely with agents in designing tailored cargo programs for clients.

"When losses do occur, our network of international claims adjusters is ready to jump into action when and where they are needed to make the claims process significantly easier for our customers," said Higley.

He added, "Marine is a sweet spot for The Hartford. Agents can feel confident placing their clients' business with us."

To learn more, visit thehartford.com/marine, or email us at commercialmarine@thehartford.com.

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Transportation Risks

Drone regulations
open the skies to
insurance sector

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Telematics offer
real-time tracking
for truck drivers

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Data on aviation,
transportation and
marine sectors

PAGE 21

Marine sector awash in capacity

Underwriters compete aggressively for business as demand drops and capitalization soars

BY SARAH VEYSEY

Against a backdrop of a slow-down in global trade and an extremely competitive shipping environment, buyers of marine hull and cargo insurance continue to see lower rates for their coverage and abundant capacity for their risks.

Experts say marine hull insurance buyers are experiencing “double-digit” rate declines as underwriters compete for premiums.

“I have seen hard and soft markets,” but “I have never seen anything like this,” said Marcus Baker, chairman and managing director of the global marine practice at Marsh Ltd. in London.

He said many underwriters are clamoring for premiums and market share.

There is plentiful capacity for marine insurance with a client base that is struggling with falling freight and commodity shipments, Mr. Baker said.

“The market is very competitive across all lines of business and in all geographies,” said Lee Meyrick, managing director and chief underwriting officer of global marine at XL Catlin in London.

“Capacity continues to exceed demand,” which itself has declined against a backdrop of lower insured values, said Mark Cracknell, senior partner of marine at JLT Specialty Ltd., a unit of Jardine Lloyd Thompson Group P.L.C., in London.

There is new capacity coming into the market, so some underwriting talent is moving, which also increases competition for business, Mr. Meyrick said.

While there is plentiful capacity for marine hull insurance business, it has stabilized in recent months, said Joe Hughes, chair-



“I have seen hard and soft markets,” but “I have never seen anything like this.”

Marcus Baker, Marsh Ltd.

man and CEO of Shipowners Claims Bureau Inc. in New York.

But, he said, the hull capacity of regional markets, such as those in East Asia and the eastern Mediter-

anean, continues to develop.

Many underwriters have set up local offices around the world to attract more business from those markets, Mr. Baker said.

Local access can be useful when dealing with claims, which Mr. Baker said eliminates time zone differences as one example of its benefits.

“I don’t think buyer demand for hull insurance is any higher now than in the past,” Mr. Hughes said. But “the necessity for proper cover has never been greater, given the need for asset protection — with which lenders are perennially concerned — particularly in a troubled freight market.”

“Buyers are really looking for a commercial deal,” Mr. Cracknell

EXPERIENCE AT SEA IS BEST SAFETY TRAINING

A perceived overreliance by some ships' crews on technology and a lack of crew experience is leading to safety concerns in the maritime industry, experts say.

"There is no substitute for experience at sea," said Steve Harris, senior vice president for Marsh Ltd.'s marine practice in London.

He said that while there are new safety measures, such as the Polar Code adopted by the International Maritime Organization in 2014, that require adequate training for crews of vessels entering the Arctic or Antarctic, "very few people with both the necessary experience and ability to train others exist."

He added that there are concerns about crews' overreliance on technology such as electronic chart displays and information systems.

"There is a growing concern among the maritime community about 'PlayStation syndrome,' which is the overreliance on and trust in technology," as well as the "hypnotic effect" of screens on ships' bridges "to the point where perceptions of distance and clearances may become warped," Mr. Harris said.

"Technology should be complementary to, rather than a replacement of, experience — both in the engine room and on the bridge," Mr. Harris said.

It is important to make

training hands-on to "motivate crews to understand the importance of it," said Andrew Kinsey, senior marine risk consultant at Allianz Global Corporate & Specialty S.E. in New York.

While vessels are increasing in size, crews are getting smaller because of the economic pressures facing the shipping industry, he said.

In addition, he said, many mariners are on short contracts of only six months or one year, again as a result of the economic headwinds facing their employers.

"There is a shortage worldwide of experienced" crew, Mr. Kinsey said.

He said that the current generation of seafarers has grown up with video games, but online training, for example, does not necessarily equate to carrying out a job.

Therefore, he said, training "needs to reflect reality and consequences."

But Joe Hughes, chairman and CEO of Shipowners Claims Bureau Inc. in New York, said concerns over crew experience — or lack thereof — are probably lower now than they were from 2003 to 2008, "when the shipping boom was creating a real crisis of human resources within the maritime industry."

Indeed, he added, the slump in the maritime industry may now be creating a glut of workers.

By Sarah Veysey

said. Reducing retentions is the only major change marine hull buyers can secure, he said.

Likewise, no great changes are being made to terms and conditions, but some extensions are being made on marine hull business, such as widening business interruption coverage, said Marsh's Mr. Baker.

Protecting value, revenue

Some buyers are looking at coverage such as residual value insurance, which insures the forecast value of leased assets at a given point in time, because current ship values are thought to be toward the lower end of the scale, said Mr. Cracknell.

Some buyers also are exploring ways to protect revenue, such as loss-of-hire coverage, Mr. Cracknell said, though he noted that these remain marginal for many

buyers.

The "relatively benign loss picture" and the ability of underwriters to release prior-year reserves means that many insurers continue to post acceptable results despite the soft conditions, said XL Catlin's Mr. Meyrick.

While experts say it likely would take more than a large loss to turn the market, attritional losses — which typically increase when the shipping industry's margins are squeezed — may start to hurt underwriters' results.

The fact that underwriters are collecting less in premiums because rates are falling may mean that attritional losses will begin to bite when reserve releases slow, Mr. Meyrick said.

Mr. Baker said steady pricing on repairs and materials also could increase attritional losses.

Drone regulation updates expand insurance sector's horizons

Business uses increase for insurers and policyholders

BY DONNA MAHONEY

While the latest drone regulations don't resolve all issues related to using unmanned aerial vehicles, they do have welcome news for the commercial drone insurance marketplace and insurers that want to use the devices themselves for business purposes.

Federal Aviation Administration regulations Part 107, released June 21, didn't lift the line-of-sight rule for unmanned aircraft weighing less than 55 pounds flown for commercial operations, meaning one person still must watch each drone and making package delivery impossible, said Terry Miller, president of Conifer, Colorado-based aviation brokerage Transport Risk Management Inc.

Part 107, effective Aug. 29, does, however, remove roadblocks such as the requirement that an operator be a licensed pilot and the need for an FAA 333 exemption, which allows a commercial business to legally use a drone for specific tasks, a lengthy process that kept many players away, sources said.

The changes are of particular value for insurers as potential policyholders emerge — and as they find their own uses for drones.

"Some of the middle-market and smaller companies who don't have the same resources that the larger companies do were waiting for the regulatory environment to firm up before entering into the space, both on the coverage side and the usage side for insurers," said Tom Santos, vice president of federal affairs for the Washington-based American Insurance Association.

James Van Meter, Atlanta-based aviation practice leader of Allianz Global Corporate & Specialty S.E., said the new rules are "a huge boost for the industry."

"The 107 rules provide a clear path to operate drones legally," he said. "Those on the sidelines are coming off and acquiring UAVs so they can integrate this technology into their business."

The insurance business is already seeing an uptick in clients, according to Mr. Miller, particularly among operators in mining and agriculture or cell tower inspections, with higher-end systems costing up to \$50,000 flown by trained pilots. "We're seeing higher-quality operators come out of the shadows," he said. "They didn't want any visibility before 107, but now they are looking for insurance."

Large property insurers are also using drones, said Dave Tobias, the Burlingame, California-based co-founder and chief operating officer of BetterView Marketplace Inc., a company that flies drones to capture aerial imagery for data analysis, primarily for roofers and insurers.

"We've had more than one conversation frozen from regulatory concerns that are now moving forward. A couple of those are with the top five property insur-

ance companies wanting to use our drones," Mr. Tobias said. There has also been a lot of interest from states with severe weather, such as Texas, which recently experienced bad hailstorms, he added.

Jill Bay-Weber, the Orange County, California-based president of the excess and surplus wholesale business division at Paragon Insurance Holdings L.L.C., a BetterView client, said the insurer uses drone data when underwriting and binding and for future claims.

Drones help Paragon review property, she said, allowing them to see roofs of several buildings at once or those with obstructed access. Drones can take pictures to confirm the quality of the roof.

"This will help if there are any future claims as well," she said. "It is crucial to have the snapshot of the roofs at the time of binding the account versus when a loss may be turned in."

Some insurers that use drones underwrite the risk themselves, sources said, but that is not always the case.

"It's only been on the scene in the last few years, so there hasn't been enough loss data collected because there haven't been enough losses that have occurred — or been reported" — so insurers don't know if it would be worth it to buy insurance or to take the risk and save the premium, said Rich Nocella, a New York-based vice president in Marsh USA Inc.'s Aviation & Aerospace Practice.

Mr. Van Meter said Allianz writes coverage for insurers using drones for claims adjustment because most insurers don't want to self-insure due to conflicts with the issuance of the policy and any potential claims that arise.

"It would be difficult for an insurance company to adequately and fairly underwrite its own exposure — the pricing and terms would be highly questionable," he said. "The claims process would also be subject to intense scrutiny: Would the claim be handled in a fair and ethical manner? Are claims being paid that should not be paid?"

"Some (clients) don't insure the hull — it depends on the company and their price point — but most are getting hull and liability, third-party liability exposure for business inter-

ruption and first-party property damage for the drone's exposure," he said.

Allianz sees interest from small, midmarket and big insurers, he said, using drones for claims adjustment, roof inspections and testing the technology for use in major catastrophes — "anywhere you can get a photo but don't want to put an employee in a dangerous position," he added.

He said Allianz insures most of the drone manufacturers, distributors and facilities set up to train operators. He said it sees "a huge spectrum" of end users from Fortune 100 companies to startups purchasing units for \$1,000 each. "Right now we are binding new UAV business every day."



DRONE RULES

Summary of the main changes for the small unmanned aircraft rule (Part 107 of FAA regulations) that takes effect Aug. 29, 2016:

- Operator must pass an aeronautical knowledge test in place of previous pilot license requirement
- No FAA medical certificate required
- Only pilot needs to watch instead of at least two people observing operations
- Operator must pass a background check by the Transportation Security Administration
- Operator must perform a preflight check of the small UAS
- May not operate over people who are not participants or indoors
- Maximum ground speed of 100 mph
- Remain lower than 400 feet or, if higher than 400 feet, remain 400 feet away from any structure
- Day operations only
- One person can fly a maximum of one unmanned aircraft at a time

Source: FAA

Telematics drives behavioral changes behind the wheel

BY ROB LENIHAN

When Jamie Pierson looks at a semitractor-trailer, he sees a lot more than just a truck.

“Tractor-trailers today, the way we view them, are rolling computers,” said Mr. Pierson, chief financial officer of YRC Worldwide Inc., an Overland Park, Kansas-based holding company for several freight companies. “Five or 10 years ago, it was a chaise, a cab and an engine. Today, all the data we’re able to get because of all the telematics on a real-time basis is incredible.”

Telematics, a wireless technology used in vehicles to collect performance data, can relay to fleet managers such information as a vehicle’s speed, braking and distance between cars.

“If there are certain things we’re looking for in terms of habits of drivers — do they accelerate too hard, do they brake too hard? — that’s the type of information we want to have,” Mr. Pierson said. “We can sit down with the driver, and we can say, ‘Hey, you need put to more distance between you and the car in front of you’ or ‘Don’t run so hard up into a stoplight.’”

“From an insurance perspective,” Mr. Pierson said of telematics, “I think that this is incredible in the long run. Today, it’s probably not that much of an impact and maybe

not that much tomorrow, but in the next year or two, we should see much, much, much better experiences.”

Todd Ewing, director of product marketing for Dublin-based Fleetmatics Development Ltd., said in an email that “telematics has revolutionized the management of the mobile workforce.”

“It provides fleet managers and operators access to real-time and historical vehicle and driver behavioral data,” he said. “Fleet managers can now monitor the location, movement, status and more of a fleet vehicle and its driver. In turn, these insights can be used to increase productivity, reduce labor costs, control fuel costs, increase fleet safety and more.”

Rich Bleser, Milwaukee-based fleet specialty group practice leader for Marsh Risk Consulting’s workforce strategies practice, said telematics has allowed companies to essentially get into the cab with the driver, “not as Big Brother, but more so as an opportunity to guide them, coach them and massage those risk-free behaviors” to protect drivers and reduce collisions.

“The insurance marketplace is starting to look very favorably upon organizations that effectively capture and use telematics data,” he said. “By the same token, the insurance marketplace is also very reluctant to have

this data captured if an organization is not prepared to use it or chooses not to use it.”

Noting the variety of telematics programs available, Christopher Hayes, second vice president of transportation risk control for Travelers Cos. Inc., said the ability or willingness of fleet managers to use the data to improve safety also varies widely.

“From what we have seen in our fleet assessments, only one-third (of fleet managers) with telematics programs take full advantage of the safety information available to them,” he said. “The larger and more well-run the fleet, the more likely it is to have telematics.”

A 2015 Travelers customer survey found that 8% were using telematics in light trucks and vans, and 11% were using telematics for medium, heavy and extra-heavy trucks.

Mr. Hayes said that since most companies with commercial trucks in the U.S. must begin using electronic logging devices to monitor driving hours by December 2017, “we anticipate that many commercial fleets will look for integrated systems that provide telematics data as well as electronic logging.”

Liberty Mutual Insurance Co.’s Managing Vital Driving Performance program, which won a 2016 *Business Insurance* Innovation Award, is geared toward helping policyholders use telematics data to improve driver

safety. “You don’t want to collect too much information,” said Peter VanDyne, Liberty Mutual’s Milwaukee-based technical director of risk control service who developed the program, “but you want to capture what’s truly aggressive and not what is the normal driving style.”

The program doesn’t focus on just the drivers; Mr. VanDyne said its root-cause analysis is probably geared 60% toward management.

“It’s easy to say, ‘Well, gee, if we just train these drivers, the problem will go away,’ when really you may need management systems changes to address the motivation,” Mr. VanDyne said.

While telematics might raise concerns about privacy, Javier Baixas, Chicago-based InsurTech lead for PricewaterhouseCoopers LLP., said gamification, which applies game mechanics and design techniques to motivate people, is one way to inspire drivers.

“I’m willing to share my data if I get some benefits from it,” Mr. Baixas said. “Make the journey a game.”

He also said the telematics data could help cut insurance costs: “If I use my data to understand what my risk factors are, and if I act to minimize drivers’ risk, I should go back to the insurance company and say I want to pay lower premium because my risk is lower. You will have the data as proof.”

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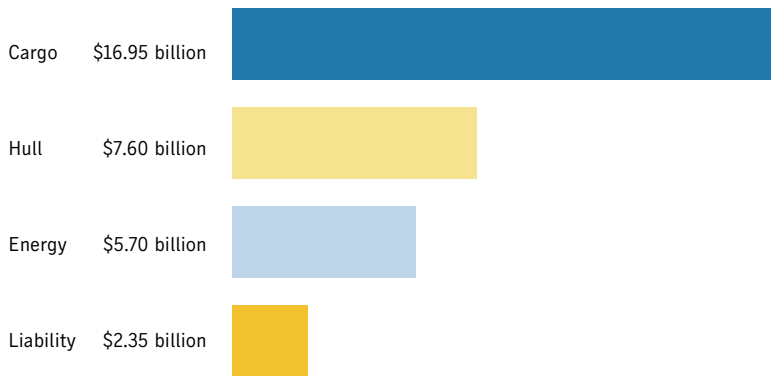
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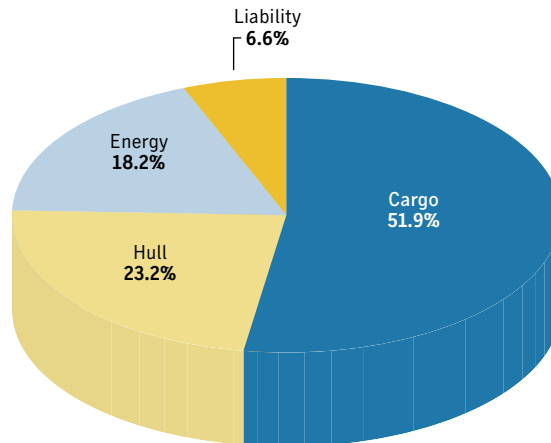
MARINE PREMIUMS

Global marine insurance premiums declined 3.2%, to \$32.6 billion in 2014, the latest data available, due in part to a strong U.S. dollar. A 7.1% decline in cargo premiums and a 5.8% decline in hull premiums offset an 11.1% increase in offshore energy insurance.

Category Premiums



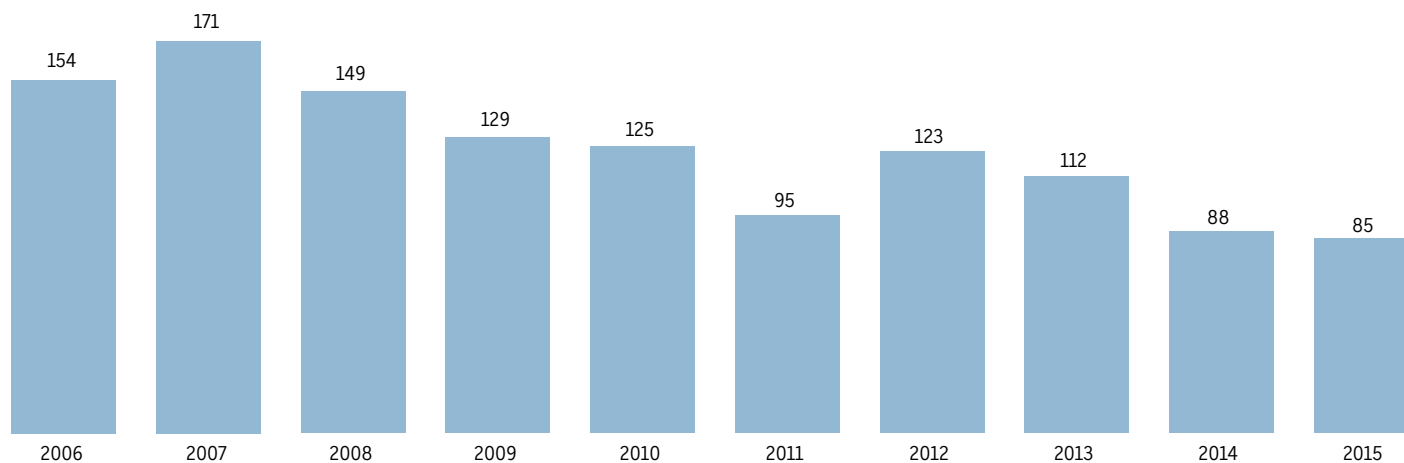
Total \$32.60 billion



Source: 2015 Cefor presentation at the International Union of Marine Insurance

MARITIME LOSSES

The number of total maritime losses in 2015 declined for the third straight year and the lowest total in at least a decade. Nearly three-quarters of the total losses were due to ships that foundered, and about 60% involved cargo and fishery ships. Shipping incidents were most likely to happen on a Thursday and least likely to happen on a Sunday.



Source: Allianz Global Corporate & Specialty analysis of Lloyd's of London casualty data

AVIATION PREMIUMS

2015 hull and liability premiums of \$1.25 billion were the lowest since 2000 and a 65% decline from 2001.

\$1.6 BILLION

Estimated total incurred claims in 2015, the third consecutive year losses exceeded premiums.

10%

Average decline in lead hull and liability premium in 2015 despite an average 5% increase in fleet value.

Industry safety improvements over the past 20 years and the weak global economy have factored into more capital coming into the market, resulting in an "exceptionally high level of capacity" and generally softer insurance rates.

Source: "Airline Insurance Market Outlook 2016," Aon P.L.C.

AVIATION ACCIDENTS

There were 2,983 weather-related U.S. aviation accidents from 2002-2013, 182 of which were caused by turbulence and 38 of which involved fatalities. California, Colorado, Arizona, Alaska and Washington had the highest number of turbulence events.

Year	Weather-related	Turbulence	% turbulence
2002	380	14	3.6%
2003	409	22	5.1%
2004	379	20	5.0%
2005	336	11	3.2%
2006	303	8	2.6%
2007	317	26	7.6%
2008	170	14	7.6%
2009	155	9	5.5%
2010	136	14	9.3%
2011	118	21	15.1%
2012	156	15	8.8%
2013	124	8	6.1%
Total	2,983	182	6.1%

Source: Federal Aviation Administration

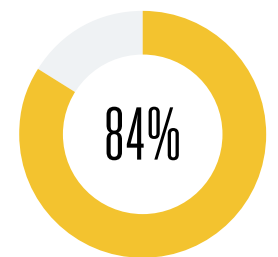
TRUCK AND BUS ACCIDENTS

11.8 MILLION

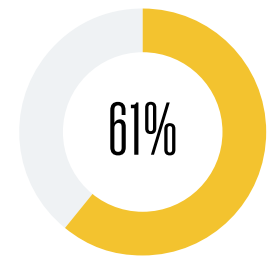
The number of large trucks and buses registered in the United States in 2014, the highest number since 2009.

3,978

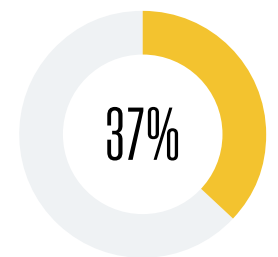
The number of accidents involving fatalities, a 5.4% decline from the previous year despite an increase in miles traveled. The number of accidents involving injuries increased 9.9%, to 100,000.



The percentage of fatal crashes involving large trucks that occurred on weekdays.



The percentage of fatal crashes involving large trucks that occurred on rural roads.



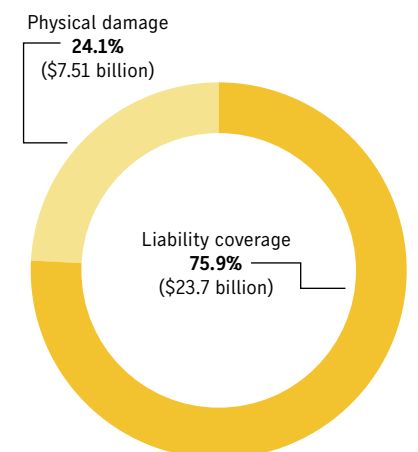
The percentage of fatal crashes that occurred between 6 p.m. and 6 a.m.

Source: Federal Motor Carrier Safety Administration

COMMERCIAL AUTO

\$31.21 BILLION

U.S. commercial auto direct written premiums in 2015.



Source: National Association of Insurance Commissioners

CNA offers tool to assess health care merger risks

CNA Financial Corp. has launched a tool and related consulting services that are designed to help health care organizations assess new and potentially unfamiliar exposures resulting from merger and acquisition activity.

The tool was designed as a response to the growing number of merger and acquisitions among health care providers, CNA said in a statement.

The self-assessment tool presents users with questions that health care organizations and providers can use to assess risks.

“Competitive pressures, health care reform and the cost of doing business are a few of the reasons that health care organizations decide to either merge with or acquire another organization or practice,” Joyce Benton, assistant vice president of health care risk control, said in the statement. “CNA’s experience in collaborating with health care organizations and providers across the continuum of care and across the country affords us a comprehensive industry view to help our customers successfully navigate the post-merger integration process.”

Online legal advice offered for brokers

Online legal services provider Epoq North America has launched a legal service available for professionals that support broker networks.

LawAssure is available to group benefit brokers and advisers, insurers, third-party administrators and others, Epoq said in a statement.

LawAssure functions on Epoq’s RapiDocs technology platform. Users pay a monthly subscription fee that gives them access to LawAssure for less than \$5 per employee per year. It mimics the personal question and answer session a lawyer would have with a client when drafting a legal document, according to the statement.

Schinnerer offers solution for cyber protection

Underwriting manager Victor O. Schinnerer & Co. said it has launched a cyber security protection solution with Spanning, an EMC company.

The collection, which features Microsoft Office 365 products, is designed to help small and midsize organizations safeguard their business and data, Schinnerer said in a statement.

The collection includes Schinnerer’s cyber protection insurance for digital crime, breach liability and breach rectification. Microsoft Office 365 and Microsoft Enterprise Mobility Suite, which combines Office applications with the cloud, includes data encryption, identity and access management, information protection, device and application management and cyber intrusion detection. Microsoft Office 365 and Microsoft Enterprise Mobility Suite also come with 24/7 technical phone support.

PRODUCTS & SERVICES



Global pandemic model expanded

* AIR Worldwide has expanded its Global Pandemic Model to include additional diseases.

The model includes new bacterial and viral diseases, in addition to previously modeled influenza, coronaviruses, and filoviruses: two pathogens from the Bunyaviridae viral family, Rift Valley fever virus and Crimean-Congo hemorrhagic fever virus; Lassa (hemorrhagic) fever from the Arenaviridae viral family; and bacterial-pathogens-associated cholera (*Vibrio cholerae*), plague (*Yersinia pestis*), and meningococcal meningitis (*Neisseria meningitidis*).

AIR models the impact to 24,000 municipalities worldwide, AIR Worldwide said in a statement.

Additionally, AIR will collaborate with the World Bank on the launch of the Pandemic Emergency Financing Facility, a global financing mechanism designed to protect the world against deadly pandemics. In the case of an outbreak, it would release funds quickly to countries and qualified international responding agencies, according to the statement.

The product also has Spanning Backup for Office 365, which is an SaaS data protection solution that provides daily automated backups of data stored in Office 365 mail, calendars and OneDrive, the statement said. Spanning provides backup and recovery for SaaS applications.

Endorsement mitigates product recall costs

Ironshore Specialty Casualty will offer a third-party product recall cost endorsement, an enhancement to its primary general liability coverage form.

The endorsement covers specified costs caused by a direct customer of the policyholder when a recall must be ordered. The coverage applies on a first

dollar basis and provides a separate limit of \$50,000 per policy, New York-based Ironshore Specialty said in a statement.

The third-party product recall cost endorsement compensates the policyholder for costs that resulted from product recall for up to 12 months after the recall. Ironshore provides reimbursement for communications and media notifications, cancellation of promotional advertising and retail shelf slotting fees, according to the statement.

Coverage includes the actual costs for responsible disposal of a named product and the value of the recalled or destroyed product that cannot be reused, distributed or salvaged.

Commercial output policy for inland marine offered

Berkshire Hathaway Specialty Insurance Co. has launched a commercial output policy to round out its U.S. inland marine offering.

The policy targets the logistics/transportation/trucking industry, contractors, and equipment dealers, the company said in a statement, combining its new admitted property insurance policy with its inland marine coverages. The policy responds to property risks in conjunction with motor truck cargo, warehouse legal liability, contractor’s equipment, installation and builder’s risk exposures.

Tokio Marine Kiln launches broker platform

Tokio Marine Kiln said it has launched One TMK, a digital exchange for brokers to quote and bind policies online in real time with the specialty insurer.

One TMK is a web-based platform that gives brokers direct access to specialist business lines that can be difficult and uneconomical to reach through traditional channels, London-based Tokio Marine Kiln said in a statement.

“High expenses and inefficiencies have been an ongoing problem for the insurance market. The purpose of One TMK is to help brokers reduce the time, and therefore lower the cost of getting a quote and a policy to their clients,” Charles Franks, group CEO for Tokio Marine Kiln, said in the statement.

Political risk insurance for life science firms

Berkley Life Sciences, a W.R. Berkley Co. unit, has launched coverage designed to address life science exposures faced by customers with assets or operations overseas.

Most property insurance policies do not provide protection from the financial impact of government actions like confiscation, expropriation and nationalization of assets, or from currency inconvertibility or political violence, Ewing, New Jersey-based Berkley said in a statement.

The coverage includes traditional political risks, such as confiscation and political violence, but also includes life science-specific perils like delayed access and wastage of perishable material.

DEALS & MOVES

Specialty broker partners with private equity firm

Dallas-based U.S. Risk Insurance Group Inc. has entered into a definitive agreement with Kohlberg & Co. L.L.C. for a “significant transaction and partnership” with the Mount Kisco, New York-based private equity firm.

Terms of the agreement were not disclosed. The transaction is expected to be completed during the third quarter, U.S. Risk said, subject to regulatory approval.

U.S. Risk said Kohlberg, through its \$1.6 billion private equity fund, Kohlberg Investors VII L.P., will invest in U.S. Risk and reserve substantial additional equity capital to support the company’s growth plans.

Randall Goss, U.S. Risk’s founder, chairman and CEO, will remain in his current position and continue to be the company’s largest individual stockholder.

Randall & Quilter acquires reinsurance specialist

Randall & Quilter Investment Holdings Ltd. has acquired Agency Program Insurance Co. Ltd.

Hamilton, Bermuda-based Randall & Quilter paid \$1.4 million in cash from existing resources, the company said in a statement.

Bermuda-based APIC, which is in runoff, has a total net asset value of \$2.4 million and reserves of around \$8.6 million, and generated pretax profit of \$600,000 in 2015, according to the statement.

Berkshire Hathaway unit acquiring med mal insurer

New York-based Medical Liability Mutual Insurance Co. is being acquired by a Berkshire Hathaway Inc. unit.

MLMIC Vice President Edward Amsler said the deal will be valued at about \$1.8 billion, which was its policyholder surplus as of Dec. 31, 2015.

Berkshire unit National Indemnity Co. will acquire MLMIC pending regulatory and policyholder approval, following completion of MLMIC’s conversion to a stock company from a mutual company, MMLIC said in a statement.

The transaction is expected to close in 2017’s third quarter.

“MLMIC is a gem of a company that has protected New York’s physicians, midlevel providers, hospitals and dentists like no other for over 40 years,” Berkshire Chairman Warren Buffet said in a statement.

Gallagher buys E&S broker with professional liability focus

Arthur J. Gallagher & Co. has acquired Gabor Insurance Services Inc., including its American Professional Liability Underwriters subsidiary.

Terms of the transaction were not disclosed. Miami-based Gabor is a managing general agency and excess and surplus lines insurance broker that provides commercial and personal property/casualty insurance products and services to its retail brokers throughout the U.S. Southeast, Gallagher said in a statement.

It specializes in commercial property and professional liability with a focus on architects and engineers, lawyers, health care and other professionals.

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PUBLIC NOTICE

**NOTICE
TO THE CLAIMANTS, CREDITORS AND ALL OTHER PERSONS
INTERESTED IN THE AFFAIRS OF
EXCALIBUR REINSURANCE CORPORATION (EXCALIBUR)
(IN LIQUIDATION)**

NOTICE IS HEREBY GIVEN:

The Commonwealth Court of Pennsylvania ordered Excalibur Reinsurance Corporation (Excalibur) into liquidation effective July 18, 2016. Teresa D. Miller, Insurance Commissioner of the Commonwealth of Pennsylvania, was appointed the Statutory Liquidator, and was ordered to take possession of Excalibur's property and to liquidate its business. Deputy Insurance Commissioner Laura Lyon Slaymaker oversees the liquidation on her behalf.

This information is important. It is recommended that you read it carefully before contacting the Liquidator's Office with questions. You may also want to consult your attorney or insurance advisors before you proceed.

Certain claims may be covered by guaranty associations in the policyholder's state of residence or where the loss occurred. Guaranty associations and funds were created by state law to provide protection in the case of a liquidation. The various state laws governing the guaranty associations include eligibility requirements and limits on the amount of coverage available. Claimants that are covered by an Excalibur policy may be entitled to the protection of the property and casualty insurance guaranty association in the state where they reside or where the loss occurred.

If you have a claim against Excalibur that you intend to pursue, you must file a proof of claim in order to have your claim considered. Proofs of claim must be received no later than 5:00 pm EST November 30, 2016.

- A proof of claim must be filed even if a claim was made against Excalibur prior to liquidation. Also, a separate proof of claim form must be filed for each claim you have. A proof of claim must include:
 - proof of claim form containing the original signature of the claimant
 - description of the claim and any security interest
 - whether collateral security or personal security is pledged in accordance with the terms of the contract or policy
 - documentation of any payments made on the claim;
 - a statement that the amount is justly owed the claimant.

• A proof of claim may be submitted by:

- Mail: Sign and mail the proof of claim form to the following address:
Statutory Liquidator for EXCALIBUR, Capitol Associates Building,
901 N. 7th Street, Harrisburg PA 17102
- Email: Print, sign and scan the proof of claim and supporting documentation to the following email address:
ra-in-claims@pa.gov
- Fax: Print, sign and fax the proof of claim and supporting documentations to the following number:
(717) 787-4543

If you require additional proof of claim forms, you may make copies of the one attached. There are several ways to request a Proof of Claim form. They are:

- Download: <http://www.insurance.pa.gov/Regulations/LiquidationRehab/Pages/Excalibur-Reinsurance-Corporation.aspx>
- Request by E-Mail: ra-in-claims@pa.gov
- Request by Telephone: (717) 787-7823
- Request by Mail: Statutory Liquidator for EXCALIBUR, Capitol Associates Building,
901 N. 7th Street, Harrisburg, PA 17102

It may be several years before all of Excalibur's assets are collected and distribution amounts can be determined. To participate in a distribution, you must file a proof of claim. This is particularly important where there is no guaranty association coverage or where the claim exceeds the limits of such coverage. It is important that you keep Excalibur fully advised of all developments in any cases that impact your claim so that Excalibur can use this information to recover funds from reinsurers and thereby potentially increase the distribution to policyholders and creditors.

If a claim is based upon an "instrument in writing," that document should be attached to the proof of claim. If the document has been destroyed, a statement of the facts and circumstances of the loss must be filed, under oath, with the claim.

Article V of the Insurance Department Act enjoins all persons from instituting or continuing any action at law or in equity or any attachment or execution against Excalibur, or the Statutory Liquidator. All persons indebted to, or having any property of Excalibur in their possession, directly or indirectly, are hereby notified to tender an account of the indebtedness. Payment of the debt or delivery of the property should then be made to the Statutory Liquidator.

YOU ARE REQUIRED BY ARTICLE V OF THE INSURANCE DEPARTMENT ACT TO NOTIFY THE STATUTORY LIQUIDATOR OF YOUR CHANGE OF ADDRESS. IF YOU FAIL TO DO SO YOU MAY JEOPARDIZE RECOVERY FROM THIS ESTATE.

Included with this Notice are some frequently asked questions which may assist in your understanding of the liquidation process. Please review this material carefully.

This notice and the information are in summary form and may not contain all necessary information for your particular situation. You are urged to consult an attorney if you have any questions. All claims are subject to payment only in accordance with applicable law.

General questions about the liquidation procedure should be addressed to the Statutory Liquidator at:

Statutory Liquidator of Excalibur
Capitol Associates Building
901 N. 7th Street, Room 201
Harrisburg, PA 17102
(717) 787-7823

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TRAVEL

Continued from page 4

another location or through a conference call, Mr. Horner said.

Most travel should be booked through a centralized hub, which allows for an interface with a security intelligence travel provider, he said.

For East Carolina University in Greenville, North Carolina, the university continues to follow its basic policies, structures and procedures, said Tim Wiseman, assistant vice chancellor of enterprise risk management and chief risk officer. He said the school is monitoring threat situations as they develop and tailoring pretrip planning as well as contacts for “those who are out and about.”

The university has about 30,000 students.

ECU is conducting a comprehensive review of all categories of student and faculty travel and is devising a matrix that shows the degree of active involvement and responsibility the university would have in travel, oversight and safety preparation under different circumstances, Mr. Wiseman said.

Information can't be siloed, noted two travel security experts at



Police stand at the scene where a truck plowed through a crowd of people during Bastille Day celebrations July 14 in Nice, France.

Lockton Cos. L.L.C. in Kansas City, Missouri.

Logan Payne, assistant vice president in Lockton's international practice, cited “the importance of a joined-up communication strategy” across human resources and risk management. He said workers compensation and perhaps travel accidents might be handled through risk management, while HR would handle other benefits, such as medical care.

“Determine what coverage do we

have and how do we communicate that to employees before they go overseas,” he said.

“Communication is key,” said Stephen Page, assistant vice president of international employee benefits at Lockton. “It doesn't matter what programs they have in place, if the employee doesn't know how to use it, it does nobody any good.”

An employee's health issues should be taken into account before the trip begins.

“Hopefully, they've got a robust travel assistance and travel risk management program in place,” said Tim Crockett, Atlanta-based vice president of security at HX Global, the U.S. subsidiary of Healthix International Ltd.

“Statistically, depending on the organization, between 85% to 93% of calls will be medical in nature,” he said. This could include problems stemming from what someone ate, chest pain and twisted ankles, he said. “All those sort of things are more likely to happen than the real scary stuff.”

As a result, make sure the person is fit to travel, said Mr. Crockett. Employers should take care to keep employees out of situations that could aggravate their existing medical conditions.

Once there, employees should be able to call prearranged emergency services.

“Have a dedicated phone line and have someone at the other end of the phone line who knows who's calling and can deliver the aid they need,” said Mr. Crockett. “That is reassuring for the traveler.”

In some cases, this means giving an employee a predetermined word he or she would use to indicate they are calling while under duress, he said.

Employees always should be aware of their surroundings and

avoid crowded areas if possible, said Lockton's Mr. Payne.

When an employee leaves a hotel, he or she can ask hotel management or a local taxi driver for the best way to get to the destination, said Jim Breitzkreitz, vice president and executive technical director of risk engineering at Zurich North America in Schaumburg, Illinois.

He cautioned against relying too heavily on GPS systems.

“If you walk, make sure your GPS system is set to route you on the major route instead of simply defaulting to the fastest route,” Mr. Breitzkreitz said. “The GPS does not know where the high crime rates are.”

He said if employees know, for example, that a political demonstration is slated to take place, “avoid that area,” he said.

As a general rule, employees should avoid wearing flashy clothing or jewelry to avoid attracting criminals.

Mr. Breitzkreitz also urged employees who want to play Pokémon Go to be “extremely cautious” while playing the game, especially in areas they don't know.

“You're restricting your peripheral vision,” he said. “There's going to be a lot of things going on that you would normally be aware of that you won't notice.”

PLATFORMS

Continued from page 4

Humana Inc. to stop offering exchange coverage in certain states next year.

It also responds to the long-time support by former presidential contender Sen. Bernie Sanders, I-Vt., for a single-payer national health insurance system, Mr. Manville said.

The GOP platform would ask state officials to reconsider “medical mandates” that require insurers to offer certain benefits in their health plans.

Such mandates “price millions of low-income families out of the insurance market.” In addition, the GOP platform says more price transparency concerning medical services is needed.

The GOP platform also supports growth of health savings accounts, saying HSAs “empower patients.”

The HSA proposal “is not surprising. Republicans are very supportive of that,” said Katy Spangler, senior vice president of health policy at the American Benefits Council in Washing-

ton. Several weeks ago, GOP members of the House Ways and Means Committee united to pass legislation that would significantly increase the maximum annual HSA contribution limit starting in 2017.

In addition, the GOP platform advocates continuing the current ban on employers and insurers denying coverage to people with pre-existing medical conditions who have not allowed their prior coverage to lapse.

Without going into detail, the platform says individuals buying health insurance should receive tax breaks, and individuals should be able to buy policies from out-of-

state insurers.

While the Democratic Party platform backs the ACA, it does suggest some changes.

For example, the platform would reduce the ACA's annual out-of-pocket limit, which currently is \$6,850 for single coverage and \$13,700 for family coverage. It also would repeal the 40% “Cadillac” tax on premiums that exceed \$10,200 for single coverage and \$27,500 for family coverage employers are to face in 2020.

“There is a lot of detail here,” said James Gelfand, senior vice president of health policy at the ERISA Industry Committee in Washington. But the Democrats' plan, which also advocates expanding Medicare eligibility and adding a public health plan to the exchanges, does not suggest how to replace excise tax revenue.

“Where will the money come from? Will there be new taxes on employers or providers? We don't know that,” Mr. Gelfand said.

Earlier, the Congressional Budget Office projected that the excise tax would raise \$87 billion in new revenue from 2018 through 2025, based on the assumption that employers cut-

ting benefits to stay under the tax trigger would boost employees' taxable wages. Experts, however, question the validity of that assumption.

Not surprisingly, the party platforms partially mirror the presidential candidates' stances.

For example, Democratic nominee Hillary Clinton backs a lower Medicare eligibility age, repealing the tax and reducing out-of-pocket health plan limits.

GOP nominee Donald Trump has called for repealing ACA and giving people buying health insurance a tax break.

While Democrats held a Senate superma-



Republican nominee Donald Trump has called for repealing the Affordable Care Act. Democratic nominee Hillary Clinton backs a lower Medicare eligibility age.



AP PHOTOS

DIFFERENT APPROACHES

The 2016 Republican and Democratic platforms differ on health care.

Republican platform:

- Repeal the Patient Protection and Affordable Care Act;
- Promote medical price transparency;
- Allow individuals and small employers to form purchasing pools;
- Protect individuals who maintain continuous coverage from discrimination;
- Allow consumers to purchase health insurance from out-of-state insurers;
- Extend tax breaks to individuals purchasing health insurance;
- Support legislation to cap noneconomic damages in medical malpractice suits.

Democratic platform:

- Add a public option for enrollees in ACA health insurance exchanges;
- Allow individuals age 55 and older to enroll in Medicare;
- Repeal the 40% ACA “Cadillac” tax;
- Reduce the annual out-of-pocket expense limit;
- Cap prescription drug cost increases;
- Resist insurers trying to impose “excessive” premium increases;
- Push states to ease Medicaid income eligibility rules;
- Allow individuals, pharmacists and wholesalers to import prescription drugs from Canada.

majority that prevented Republicans from blocking ACA in 2010, this election is different.

“Regardless of who is elected president,”

neither party is likely to have supermajority in the Senate, making legislative changes more difficult to pass without broad bipartisan support, ABC's Ms. Spangler said.

OPIOIDS

Continued from page 3

CompPharma L.L.C., a workers comp pharmacy benefit management consortium.

However, Rita Wilson, Delray Beach, Florida-based CEO of claims administrator Tower MSA Partners L.L.C., said, “Any act from a regulatory position that focuses on opioids is an extremely positive thing.”

Provisions in the law that affect workers compensation include:

- Establishing national electronic prescription reporting;
- Increasing from 100 to 275 the number of patients that qualified opioid treatment providers can oversee while expanding the definition of treatment providers to include law enforcement and nurse practitioners;
- Providing federal grants to

states to train prescribers on best practices for opioids and to educate the public; and

■ Funding federal research on new pain medications that are less addictive.

Other provisions in the law will finance treatment programs for

“Any act from a regulatory position that focuses on opioids is an extremely positive thing.”

Rita Wilson,
Tower MSA Partners L.L.C.

veterans, young athletes, pregnant women and babies addicted to opioids. The law also will aid drug smuggling investigations.

Federal involvement is key, Ms. Wilson said.

“Having prescription drug monitoring programs, educational

components and access to information not only at state level but now at a federal level shows great support for what workers comp carriers, employers and payers have been trying to do,” she said.

The educational provisions aimed at patients and prescribing physicians are the most promising aspect of the law, she said.

“Legislation that funds education that can impact prescribing habits is a tremendous opportunity for that change we hope to see,” she said of the law that will allow states to apply for federal grants to expand their efforts.

“Efforts that create even greater awareness in the medical community about pain management and opioid prescribing practices, as well as increased focus on prevention, treatment and education are positive steps in helping injured workers return to health and avoid opioid addiction,” Peter MacDonald, Hartford, Connecticut-

based vice president of workers compensation claims at The Hartford Financial Services Group Inc., said in an email.

The law’s easing of limits on patients that addiction treatment providers can handle also is welcome, said CompPharma’s Mr. Paduda.

“There are millions who are addicted to opioids that are on waiting lists to get into these treatment facilities,” he said.

The law also expands treatment availability to qualifying licensed nurse practitioners and physician assistants who have expertise in prescribing medications for opioid use disorder. Currently, only select trained physicians can do so.

Mark Pew, senior vice president at Duluth, Georgia-based medical management company Prium, said when the overdose treatment drug naloxone began to get greater use at the turn of the century, the number of patients per doctor was lim-

ited to 100, but experience has won doctors’ support of the expanded limit of 275.

Since the increase in opioid prevention and treatment programs will be at the state and local levels, Thomas Ryan, New York-based market research leader at Marsh L.L.C.’s Workers Compensation Center of Excellence, said he hopes that will put workers on a fast track for recovery.

The law’s electronic prescription reporting at a national level also will help reduce abuse, he said.

Currently, some workers comp claimants get prescriptions from multiple doctors, “With no way to track this, there is the high propensity for abuse,” Mr. Ryan said.

An electronic database with the history of all prescription information will help states monitor drug dispensing by providing a line of vision for providers and insurers to investigate any drug abuse situation, he said.

POKÉMON

Continued from page 3

rate email, which is pretty common in a (bring-your-own-device) world, there’s a much greater risk these apps can open people up to cyber attacks,” said Thomas Reagan, Marsh L.L.C.’s New York-based cyber practice leader.

Andrew Laubmeier, senior broker in Aon P.L.C.’s financial services group in Chicago, said one initial source of worry was that most people who downloaded the game did so through their Google email accounts, which required agreeing to provide Niantic with full access to any information in those accounts.

While the provision later was narrowed considerably, “the underlying concern is still there,” Mr. Laubmeier said.

Philippe Weiss, Chicago-based managing director of Seyfarth Shaw at Work, the compliance training and consulting services affiliate of Seyfarth Shaw L.L.P., said businesses also may be liable for game participants who “wander into facilities where they may endanger themselves.”

Workers could also hurt themselves while playing the game during breaks, potentially raising workers comp issues, experts say. “Both employees and third parties are racing all over the landscape in search of Pokémon,” which creates possible liability issues if they get hurt, said Mr. Weiss.

“We have an agricultural client, and they had an issue because someone was chasing one of these Pokémon creatures and almost fell into a grain elevator,” Mr. Weiss said. Another report had an employee leaning out a window to get better reception as he played the game.

Privacy is a risk as well. When the game is in video mode,



AP PHOTO

MINIMIZING LIABILITY

Steps experts say businesses can take to minimize liabilities in the Pokémon Go phenomenon

- Review policies on company-issued smartphones and bringing employee-owned devices to work
- Include such policies in the company’s handbook
- Check corporate-owned devices periodically for malware
- Keep current on potential hacking and malware threats
- Establish remote-wiping capabilities to remove malware from company- and employee-owned smartphones
- Communicate potential threats to employees as they arise
- Install or reinforce security to keep members of the public out of restricted or hazardous areas
- Expand security to remote or little-used areas
- Procure liability insurance to cover Pokémon Go-related claims

for example, smartphones could pick up data in legal files or personally identifiable information, experts say.

Experts say the game can also create workers comp issues as strangers come on companies’ premises uninvited and injure workers.

You can have “all kinds of people descending on your office unexpectedly,” leaving the company unable to protect employees’ safety, said Jeffrey Adelson, general managing partner at Adelson, Teslan, Brundo, Novell & Jimenez P.C. in Santa Ana, California.

Having policies in place to

address these issues “at the very least would provide the company with evidence that it had thought about it and tried to give people advice to protect themselves,” Mr. Brill said.

Meanwhile, no one expects Pokémon Go to be the last word in augmented reality games.

Anthony Dagostino, executive vice president and FINEX cyber practice leader at Willis Towers Watson P.L.C. in New York, said he is concerned gaming companies will push the envelope further, making games “bigger and better and more exciting to people, which can be more dangerous at the same time.”

COLLATERAL

Continued from page 3

genuine claim might have been dishonestly exaggerated. Either way, the insurer would not be liable to pay the claim, the high court ruled.

In the third case, the entire claim may be justified, but the information given to support it may have been “dishonestly embellished, either because the insured was unaware of the strength of his case or else with a view to obtaining payment faster and with less hassle,” Lord Jonathan Sumption wrote for the court. “The present appeal is concerned with embellishments of this kind.”

“Although a lie uttered in support of a claim need not have any adverse impact on the insurer, I consider that it must at least go to the recoverability of the claim on the true facts,” Lord Sumption wrote. “It does not apply to a lie which the true facts, once admitted or ascertained, show to have been immaterial to the insured’s right to recover.”

In his dissent, Lord Jonathan Mance said “insurers will no doubt be advised” about “making express” in the future their understanding of and actions taken as a result of “fraudulent devices” used by policyholders during the claims process.

“It’s good news for corporate risk managers, and it’s good news for insureds,” said Nick Atkins, a partner in the London office of Hogan Lovells International L.L.P.

“The Supreme Court rather surprised us in coming down the way that it did. I think most people expected the court would follow the line of the dissenting opinion, which says if you effectively tell stories in putting forward your claim that you know to be untrue, then you can expect and should expect that your claim won’t be paid.”

“I think it’s a big deal and I think it’s a surprise to most insurance professionals in the market,” said Nicholas Bradley, a partner and head of insurance at Pinsent Masons L.L.P. in London.

“Potentially it encourages fraudulent behavior by insureds,” said Mr. Bradley.

“It’s obviously contrary to how the insurance industry expects its customers to behave. If the lie is designed to induce the insurer to pay their claim or to pay an exaggerated claim, that’s not the sort of customer the insurer wants to do business with,” Mr. Bradley said.

Mr. Atkins sees the ruling’s effect as more limited.

“I don’t see it really having a higher impact on day-to-day mainstream claims,” Mr. Atkins said. “It’s very much the exception

“I think it’s a big deal and I think it’s a surprise to most insurance professionals in the market.”

Nicholas Bradley,
Pinsent Masons L.L.P.

rather than the rule but it does happen from time to time.”

A U.S. lawyer who represents policyholders said the decision could bring more balance into English insurance law.

Peter Halprin, an attorney with Anderson Kill P.C. in New York, noted that the high court rendered the decision just before the Insurance Act takes effect Aug. 1, which makes it harder for insurers to deny claims.

“England, which is traditionally considered a pretty harsh environment for policyholders, including U.S. policyholders, is moving in a more favorable direction,” he said. “English law which has kind of a draconian reputation is trying to move away from that and inject some proportionality into insurance disputes.”



AP PHOTO

Haruki Nakamura of the Carolina Panthers, left, is suing underwriters at Lloyd's of London for not honoring his \$1 million career-ending injury policy.

CONCUSSIONS

Continued from page 1

also sued World Wrestling Entertainment Inc. in July for head injuries they sustained during matches, and a Carolina Panthers player who suffered a career-ending concussion in 2013 filed suit to collect benefits under his professional athlete insurance policy.

Meanwhile, a federal judge ordered the National Hockey League's workers compensation insurer, Chubb Ltd., to share redacted independent medical exams related to head trauma claims with retired players who allege the league didn't adequately protect them from concussions.

"Insurance companies should reasonably be concerned about providing insurance to individuals that play contact sports with head-to-head contact or repeated contact between a ball and one's head," said Marc Edelman, a law professor and sports law expert

at Baruch College's Zicklin School of Business in New York. "Unless the NFL decides to substantially change the nature of the sport, the risk portfolio for insuring professional football players will begin to look more like the risk portfolio for insuring professional boxers."

That means "substantially elevated premiums," Mr. Edelman said.

Sports-related brain injuries are a top emerging insurance claim in the U.S. and the U.K., but "effective emerging risk management" by insurers can prevent such claims from becoming as costly as asbestos-related claims, Standard & Poor's Corp. said last week in an analysis.

"U.S. insurers have learned from their experience of asbestos-related claims, and are increasingly drafting exclusion clauses for concussion claims and capping concussion lawsuit payouts," S&P said. U.K. insurers also should take steps to reduce their potential exposures, according to the rating agency's London analysts.

There's only so much an insurer can charge for a policy that excludes "what could be, and likely will become, the No. 1 career-ending injury" among professional football players, said John W. Schryber, a partner at law firm Reed Smith L.L.P. in Washington.

"You can't exclude your way to profits," added Mr. Schryber, who represents Haruki Nakamura, the Carolina Panthers player suing underwriters at Lloyd's of London for not honoring his \$1 million career-ending injury policy.

Although two physicians said Mr. Nakamura was permanently disabled after suffering a concussion during a preseason game, an insurer-appointed medical examiner said he can continue to play football but urged him to consider the "probable long-term effects of repetitive concussions," according to the complaint.

While some underwriters have started excluding cumulative head trauma from their coverage, Pro Financial Services L.L.C. will not take that path, said Dan Burns,

and even purposeful part of the activity."

A main difference in the WWE case is that wrestlers didn't wear helmets they believed would protect them against head trauma, said Thomas Demetrio, a partner at Chicago-based Corboy & Demetrio, which represents Paul Hornung and other former NFL players in the lawsuit against Riddell.

Before the litigation that increased awareness and prompted an NFL concussion protocol, "players didn't want to know, coaches didn't want to know, doctors didn't want to know," Mr. Demetrio said. "These guys wanted to play football. If they got dinged, they oftentimes wouldn't even tell anybody because they knew there was somebody else just waiting for them to be hurt so they could take their place."

The key for employers of professional athletes or construction workers, for example, is "making sure they don't return to work until they have been released by a neurologist that knows what he's doing," Mr. Demetrio said.

He added that premiums for workers compensation insurance might be high, but if workers are required to heal properly before returning to the game or to work, "that's a good thing for everybody."

Meanwhile, insurers have rallied since the NFL's class action settlement covering more than 20,000 retired football players to obtain depositions of league officials and third-party physicians that could help them avoid indemnifying the league. A New York state judge in April sided with insurers.

"What was disappointing to me as part of the NFL settlement was, we got no discovery," said Mr. Demetrio, who was not involved in that case. "We learned nothing as to when the NFL knew about long-term damage, and that's one of the reasons the case settled, so there wouldn't have to be disclosure."

president of the Chicago-based specialty risk underwriter.

Some insurers will even "pull out of the class because of what they consider unknown future exposure," he said. The fact that more players are sitting out for extended periods of time or retiring early as a result of head trauma does have "to be factored into the way we rate our products."

The increased awareness generated by recent lawsuits — namely the class action suit against the NFL — is likely to spur lawsuits from athletes in other sports, experts say. Whether that means more billion-dollar settlements remains to be seen.

In a statement, the WWE said it's "confident" the suit filed by more than 50 former professional wrestlers in a New Haven, Connecticut, federal court will be dismissed.

U.S. District Judge Vanessa Bryant in Hartford, Connecticut, in March dismissed similar complaints, stating that the plaintiffs "were financially compensated to engage in an activity in which physical violence was a known

CONCUSSIONS AND ASBESTOS

- Claims for sports-related brain injuries and asbestos-related mesothelioma and asbestosis are similar in that the number of people potentially affected is "huge."
- Like lung damage resulting from inhaling asbestos, brain damage may take years or decades to manifest.
- While total U.S. asbestos claims have been estimated at \$200 billion to \$275 billion¹ and U.K. asbestos claims through 2050 have been estimated at £11 billion (\$14.42 billion²), sports-related brain injuries are not expected to reach that level.
- U.S. insurers already have taken steps to limit their liabilities, and U.K. insurers are advised to take such steps due to their "widespread sponsorship of sports."

1 American Insurance Association. 2 Asbestos Working Party

Source: Standard & Poor's Corp.

DMEC

Continued from page 4

Bringing chief financial officers into the discussion is critical, given that a February study by the Integrated Benefits Institute found that 85% of CFOs play a role in benefits decisions, with 53% saying they could make better benefits decisions if health-related improvements in job performance were linked to business metrics.

"We're moving into this era where we have to prove the business case," said Thomas Parry, president of the San Francisco-based institute. "You have to talk the CFO's language to make the business case."

But the challenge is mental health conditions typically are underreported, often misdiagnosed or inappropriately treated, said Debra Lerner, the director of

program on health, work and productivity at Tufts Medical Center in Boston.

"All those things make claims a little less trustworthy as a way to

"We can have the best programs in the world, but if the culture doesn't support those programs, you're not going to have the level of engagement that you're looking for."

Adele Spallone, Aetna Inc.

establish prevalence in your companies," she said, adding that employers can apply federal data showing patterns based on age, race, gender and other factors to

their workforce to help make the business case.

For JetBlue, behavioral health costs represent 5% of overall medical costs, but the average number of work days lost through short-term disability claims was 79.3 days when behavioral health was the primary or secondary factor — a "tremendous" amount of time that Mr. Spencer believes is still understated.

One reason that mental health conditions are understated is social stigma, which stifles diagnosis, treatment, dialogue and awareness. This is problematic because most people with mental health conditions can improve with treatment, said Rich Paul, senior vice president of employer strategy and development at Beacon Health Options Inc. in Norfolk, Virginia.

"People like to criticize (employee assistance programs) for having low utilization," he said. "The

reality is that it really is a culture-based issue. If you can have people more comfortable in seeking help and support, they will."

Every year, about 30% to 40% of behavioral health claims initiated by employees are denied by the Aetna Inc. unit that evaluates them because they are driven by workplace-related issues such as conflict with a supervisor, a shift change, job demand changes or a poor performance evaluation, said Adele Spallone, vice president of business integration and strategy for disability and absence management with Aetna in Miami.

This gives employers an opportunity to educate managers and supervisors to recognize symptoms and help employees before a disability event occurs, she said.

"It starts with one word, and that word is culture," Ms. Spallone said. "We can have the best programs in the world, but if the culture doesn't support those programs,

you're not going to have the level of engagement that you're looking for."

Pacific Gas & Electric Co. has an "amazing" culture that encourages employees to use the utility's EAP — 10.2% of employees and 14.6% of dependents do so — driven by "well-informed supervisors" making referrals, particularly when they see employees struggling, said Heather Holladay, PG&E's San Francisco-based integrated health manager.

One PG&E program involves about 40 employees who have suffered from alcoholism or substance abuse and who voluntarily have their names, phone numbers and photos listed on posters so other employees can reach out to them for help without judgment, which 500 employees did last year, Ms. Holladay said.

"One of the great things about that is that it breaks the stigma," she said.



LITIGATION

Continued from page 1

Barclays P.L.C. analysts said in a research report.

However, Stephen Zaharuk, New York-based senior vice president at Moody's Investors Service Inc., said "the deck seems to be stacked against" the Anthem-Cigna combination.

"We see the likelihood of any settlement or win for the companies in court as slim given the political nature of the outcome and the tone of the communication" from the Justice Department, Leerink Partners L.L.C. Managing Director and Analyst Ana Gupte said in a research note after the Justice Department litigation.

In lawsuits filed July 21 in U.S. District Court for the District of Columbia, the Justice Department objected to the potential deals on anticompetitive grounds and suggested that there were no circumstances in which it would change its mind.

If allowed, the mergers that are "unprecedented in their scope and in their scale" would likely "threaten to increase insurance premiums, to reduce benefits, to lower the quality of health care and to slow innovation," Principal Deputy Associate Attorney General William Baer said during a news conference about the litigation.

Aetna, Humana and Anthem quickly responded to the Justice Department's decision with vows to fight (see related story), each arguing that the mergers would benefit consumers and not harm competition.

Cigna, on the other hand, seemed less enthusiastic in its initial response, stating that it would evaluate its options and that it expected the transaction to close in 2017, "if at all."

On Friday, however, Cigna President and CEO David Cordani attempted to dispel concerns about the insurer's commitment, saying it is "fully engaged" in the

merger process with Anthem. He also said that in case the merger is blocked, Cigna will have significant capital to seek growth opportunities elsewhere.

As of late last Friday, Anthem was the only insurer to file a response to the Justice Department's litigation. Anthem also has asked for a speedy antitrust trial, though government attorneys late last week urged the court not to rush the complex case. Aetna and Humana also motioned for an expedited trial due to merger agreement deadlines, according to court documents.

Competition objections

The Justice Department's objections to the Aetna-Humana combination center largely on reduced competition in the Medicare Advantage market that would result from the merger. Humana, the second-largest Medicare Advantage provider by covered members, competes with Aetna, the fourth-largest, in nearly 90% of the counties where Aetna offers Medicare Advantage.

The Justice Department holds that Medicare Advantage does not compete with traditional Medicare. Aetna and Humana disagree.

Barclays analysts said in a research note after the Justice Department suit that the federal agency did not make a compelling argument why the two markets don't compete, adding that both cater to seniors and offer the same base benefits.

However, the fact that seniors have the choice between the two products "doesn't mean they are substitutes," said Thomas Greaney, an antitrust expert formerly with the Justice Department's antitrust division who now is co-director of the Center for Health Law Studies at St. Louis University School of Law.

Medicare Advantage has distinct characteristics, such as greater benefits, lower premiums and a cap on annual out-of-pocket costs, according to the Justice Depart-

ment's lawsuit.

At the heart of the Justice Department's objections to the Anthem-Cigna union is reduced competition for health insurance and administrative services in the national and local employer markets.

The Justice Department also argues that eliminating Cigna as a competitor to Anthem would reduce innovation in moving toward value-based care in the health insurance industry — a major movement today to reduce health care costs.

"That's been a factor in some antitrust merger cases, the fact that one company that's merging ... is a maverick," Mr. Greaney said. In that case, "you're losing the one that puts price and innovation pressure on the others."

The Justice Department also argued that the mergers would harm competition that holds down prices on public health insurance exchanges, and Mr. Baer said divestitures proposed until that point were "incomplete and impractical" and unlikely to solve any antitrust concerns.

Aetna Chairman and CEO Mark Bertolini countered during a CNBC interview July 21 that Aetna has provided "two separate bidders with complete bids, signable contracts that would buy the whole business from us" in each of the problem markets the Justice Department pinpointed.

Even so, sources said post-merger divestitures often fail to restore competition.

Decided in the courts

Ultimately, it's not the Justice Department's call whether the five largest national health insurers become three, with UnitedHealth Group Inc. being the largest and not involved in the mergers, said Andrea Murino, a Washington-based partner and co-chair of the antitrust group at Goodwin Procter L.L.P.

It's unclear how U.S. District Court Judge John D. Bates, who

has been assigned to the cases, will rule.

However, federal antitrust enforcers have "been on a hot streak" of winning antitrust cases lately, Ms. Murino said.

In the past two years, several large companies have abandoned merger plans after the Justice Department filed suit. They include Halliburton Co. and Baker Hughes Inc., General Electric Co. and AB Electrolux, and National CineMedia Inc. and Screenvision L.L.C.

Still, federal courts ruled against the Federal Trade Commission twice this year in cases brought against hospital mergers in Chicago and Pennsylvania. The FTC has appealed both.

There's also political tension in merger cases, Ms. Murino said. Antitrust law appears to be at odds with the Affordable Care Act, which seems to encourage consolidation and collaboration in the health care sector, she said.

"The DOJ will tell you that — and the FTC would say this, too — that there's no tension between the ACA and the antitrust laws, but I bet if you asked (the health insurers') lawyers, they would say there very much is," Ms. Murino said.

Litigation could take months, and the losing party could appeal the decision, Mr. Greaney said.

Observers say the outcome of the litigation may not be known until next year.

If the deals are blocked, Anthem would owe Cigna a \$1.85 billion breakup fee and Aetna would owe Humana a \$1 billion breakup fee, according to their merger agreements.

Anthem and Aetna have the cash to pay those fees, sources say, and the fees would give Cigna and Humana opportunities to expand, Mr. Zaharuk said.

The insurers could turn their sights to "less transformational" deals with smaller health insurers, as they've done in the past, said Mark Rouck, Chicago-based senior director with Fitch Ratings Inc.

cerns.

Aetna Chairman and CEO Mark Bertolini added an exclamation point to the written statement in a CNBC interview, in which he said Aetna and Humana "are willing to take this (litigation) all the way to the very end."

Anthem also pledged to fight for its merger with Cigna, and filed a response in the U.S. District Court for the District of Columbia arguing that the combination "will increase competition and result in cost savings, efficiencies and other benefits that will make health care more affordable and accessible to consumers."

Anthem also said its takeover of Cigna would allow expansion of where it sells insurance through public health insurance exchanges.

Cigna, however, has recently played the role of the reluctant partner.

In an unenthusiastic response to the Justice Department's litigation, Cigna said it "is currently evaluating its options consistent with its obligations under the agreement" and doesn't believe the deal will close until next year at the earliest, "if at all."

On Friday, however, Cigna President and CEO David Cordani downplayed the health insurer's stance.

Most industry stakeholders and other observers lauded the litigation.

"The prospect of reducing five national health insurance carriers to just three is unacceptable," American Medical Association President Dr. Andrew W. Gurman said in a statement. "Given the mergers' potential to significantly compromise market competition, the AMA strongly supports the antitrust challenge from federal regulators."

"The Department of Justice recognized that the health — both physical and financial — of the American people is at stake," Topher Spiro, vice president of health policy at the nonpartisan Center for American Progress, said in a statement. The mergers "would have irreversibly transformed and destabilized the health care landscape at a critical juncture."

But a spokeswoman for health insurance industry lobbying group America's Health Insurance Plans said in a statement that "mergers among health plans can deliver significant benefits" and urged federal regulators to set their sights on "anti-competitive provider mergers and the soaring cost of pharmaceuticals driven in part by anti-competitive pricing tactics."



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Worker bitten by comp denial

A Virginia worker got a one-two punch of bad news when she was bitten at work by a poisonous snake then learned her workers comp provider was denying her coverage for her treatment.

Ke'Vonja Cousins, 29, of Chesterfield, Virginia, was headed outside her employer's Richmond, Virginia, building for a break when the baby copperhead struck, landing her in the hospital for three days and two rounds of antivenom, according to local media reports.

"I felt a ting on my big toe and wetness, like hurting pain. ... I looked down and the snake was on my big toe," she said.

Now undergoing physical therapy, Ms. Cousins, has learned The Results Cos.' insurer has denied her comp claim.

The company told Richmond's NBC12, the denial "is based on (the insurer's) preliminary interpretation of the facts of the injury as they relate to the State of Virginia Workers Compensation Statute. We have reached out to the Insurance Adjusters and their Legal Counsel for further clarification" and anticipate a response in a couple days.

The sky's the limit for fast food delivery

A drone has forever changed the meaning of fast food by delivering Slurpee drinks, a chicken sandwich, doughnuts, hot coffee and candy to a family's house via GPS.

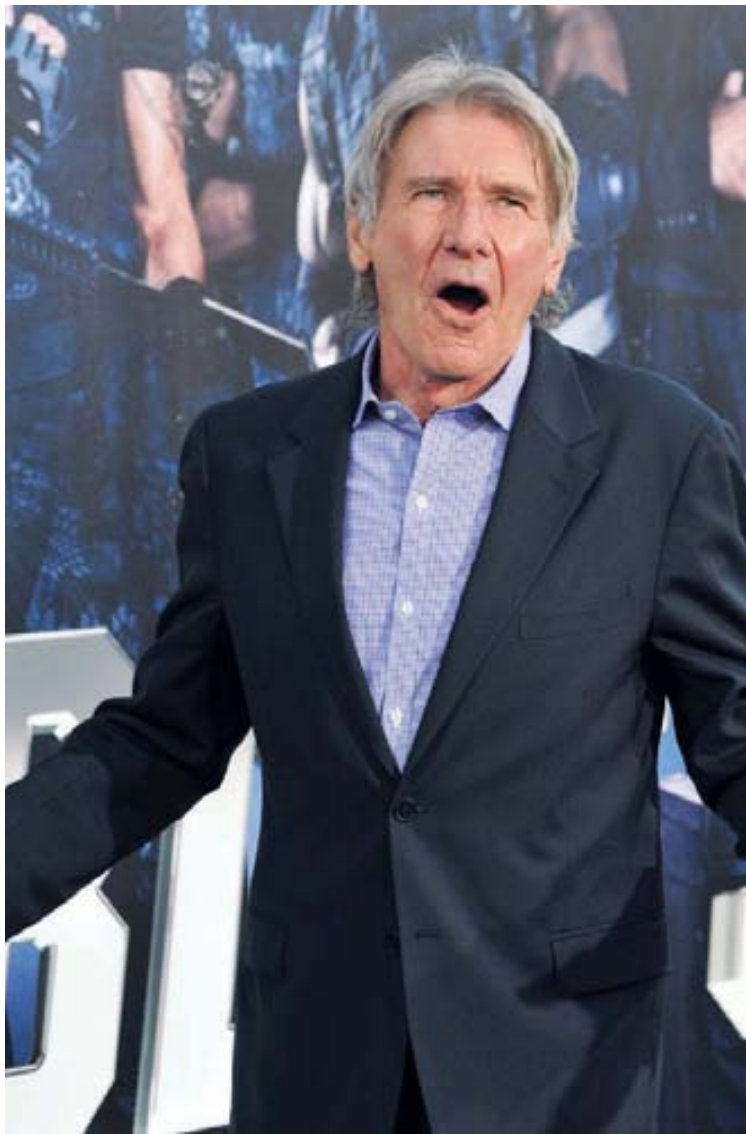
The drone was operated by Flirtey, a Nevada-based drone startup that teamed with a 7-Eleven in Reno, Nevada, on July 15 to legally deliver an order that took two flights to complete, news reports said.



This marks the drone company's largest commercial relationship, bringing the delivery of online retail and food one step closer to reality. Earlier this year, Flirtey also delivered medical supplies to an offshore vessel as a demonstration, a first in the U.S. Last summer, the company used a drone to deliver medical supplies, the first commercial drone package delivery approved by the Federal Aviation Administration.

Regulations for package delivery have not yet been finalized; although the FAA did release new commercial drone rules in June that will go into effect in August, the rules don't allow drones to fly outside of the line of sight of the operator, making mass delivery impractical.

MOVIE PRODUCER FEELS FULL FORCE OF SAFETY RULES



FEATUREFLASH PHOTO AGENCY/SHUTTERSTOCK.COM

Harrison Ford was pinned by a hydraulic door on the set of the Millennium Falcon spaceship during filming at Pinewood Studios outside London.

Walt Disney Co.-owned Foodles Production Ltd., the production company responsible for working on the U.K. set of "Star Wars: The Force Awakens," admitted to health and safety breaches following an accident that crushed actor Harrison Ford's leg. Mr. Ford was pinned by a hydraulic door on the set of the Millennium Falcon spaceship during filming at Pinewood Studios outside London on June 12, 2014, and he had to be airlifted to a nearby hospital following the accident.

Mr. Ford, who was 71 at the time, was reprising his iconic role as Han Solo, and could have been killed, according to court testimony, which compared the accident to the force of being hit by a small car.

Foodles pleaded guilty to one count under section two of the U.K. Health and Safety at Work Act 1974, relating to a breach of duty in relation to employees, and a second under section three, a breach over people not employed by the company.

The company will be sentenced on Aug. 22 at Aylesbury crown court.

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Trademark suit shows passion for vodka

The image of a pair of lips may strike many as a kind of strange focus for a 26-page appellate court opinion, not to mention the thousands of dollars in legal expenses that led to it, but that in fact is the case in a decision last week in a trademark infringement dispute over flavored vodka.

According to the July 14 ruling by the 9th U.S. Circuit Court of Appeals in San Francisco, in July 2005, Henderson, Nevada-based JL Beverage Co.



obtained a trademark showing a pair of lips for its Johnny Love line of flavored vodka.

The lips were colored red for unflavored, purple for passion fruit, yellow for "aloha," orange for tangerine and green for apple, according to the ruling in *JL Beverage Company, L.L.C., v. Jim Beam Brands Co.*

Then in 2010, Deerfield, Illinois-based Jim Beam Brands Co. entered the flavored vodka market with Pucker Vodka, whose bottles had a prominent lip image, with colors varying by flavor.

After JL Beverage sued Jim Beam, the U.S. District Court in Reno, Nevada, granted Beam summary judgment, dismissing the case.

But a three-judge appeals court panel reinstated the litigation. Consumers purchasing the vodkas "were not likely to exercise a high degree of care in distinguishing between the two" and could become confused between the brands, said the panel, in remanding the case for further proceedings.



Old-fashioned risk for modern art

Modern art can be a bit of a brain-teaser. Not quite "The Thomas Crown Affair," a woman visiting the Neues Museum in Nürnberg, Germany, mistakenly filled in the blanks on a crossword puzzle-looking piece valued at more than \$88,000, according to media reports.

The 91-year-old woman, who has not been named, apparently said she was confused by an "Insert words" sign hanging next to Arthur Köpcke's 1977 "Reading-work-piece."

The piece, presented to the museum by a private collector, will likely cost a few hundred euros to repair, but the damage is not permanent, the museum director told The Telegraph.

The museum, however, has to yet to share how many answers the woman got correct.

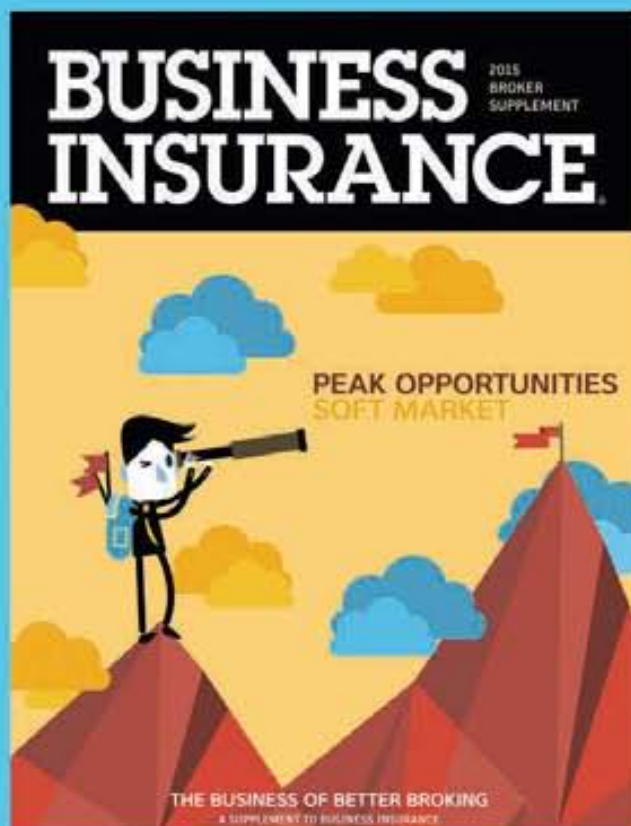
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