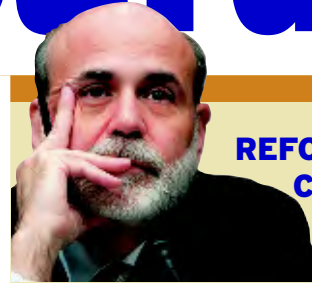


AIG SHARE PRICE LEAPS AS BENMOSCHE SIGNALS NEW STRATEGY / PAGE 3



CHICAGO OLYMPIC COMMITTEE PROPOSES INSURANCE PROGRAM FOR 2016 GAMES / PAGE 3

REFORM ADVOCATES CHEER MOVE TO KEEP BERNANKE / PAGE 4



In Brief

Ex-AIG directors seek dismissal from suit

Attorneys for a group of one-time outside directors of American International Group Inc. want a federal court to dismiss a shareholder lawsuit against their clients. The suit was brought by the Louisiana Municipal Police Employees' Retirement System pension fund on behalf of AIG. The derivative action alleges that the directors ignored warnings of impending financial trouble between 2005 and 2008, and seeks a variety of remedies. The defendants claim the plaintiffs failed "to state a viable claim against the outside director defendants."

IAIS plans guidance on securitization

The International Assn. of Insurance Supervisors said it plans to issue guidance on

See **IN BRIEF** page 26



LANDOV

Mourners sign a condolence book at the John F. Kennedy Presidential Library and Museum in Boston where Sen. Edward Kennedy lay in repose last week.

Kennedy's absence may stifle reform

Lawmaker championed universal cover

By **JERRY GEISEL**

WASHINGTON—The death of Sen. Edward Kennedy, D-Mass., will be a blow to the drive to pass sweeping health care reform legislation, but how great that impact will be is not clear yet, experts say.

Sen. Kennedy, 77, who chaired the Health, Education, Labor & Pensions Committee, died last week from brain cancer.

Sen. Kennedy championed the cause of universal health insurance coverage for much of his 47 years in the U.S. Senate. Last year, in a brief address before the Democratic National Convention in Denver, he called it "the cause of my life."

While he sponsored a sweeping reform bill that was passed on a partisan 13-10 vote by his committee in July, he was not, because of his

illness, a participant in shaping the measure and the debate surrounding it. The bill, among other things, mandates that all but the smallest employers provide coverage and pay 60% of the premiums for employees and their dependents. Those that do not would be hit with financial assessments.

LEGACY: During his long career, Sen. Kennedy had a huge influence on benefits policy. **PAGE 24**

Sen. Kennedy's absence was felt while his committee was taking up the reform legislation, observers say.

"A person who had that ability to reach over to the other side of the aisle to try to find a compromise was lost," said Helen Darling, president of the National Business Group on Health in Washington.

Had Sen. Kennedy been healthy, it is possible that his committee would have produced a more politi-

See **KENNEDY** page 24

Employers grapple with rise in workplace suicides

Spotting danger signs, working with EAPs seen as crucial

By **JUDY GREENWALD**

When an employee came into work one day dressed in black and asked her coworkers in an offhand manner, "Don't you think this dress would look good in a coffin?" no time was wasted.

"We took her right over" to a psychiatric hospital, said Jan Zoucha, vp of human resources at the employee's firm, Lincoln, Neb.-based Assurity Life Insurance Co.

Educating employees on signs a colleague is considering suicide is a key element in its prevention, say observers.

It is an issue of growing concern. There was a 28% increase in the number of suicides committed in the workplace last year—251—compared with the prior year, according to a census by the U.S. Department

of Labor released earlier this month. And that number does not include the much greater number who kill themselves elsewhere, say experts.

Employers are expressing increasing worry about employee suicide, say employee assistance plan providers.

There have been a greater number of calls recently from employers about how to handle potential suicides, said Dr. Doug Nemecek, Eden Prairie, Minn.-based senior medical director for CIGNA Corp.'s Health Solutions organization, which includes its behavioral health and EAP business.

In some cases, employees are informing managers about co-workers who have expressed suicidal thoughts on their Facebook pages, he said.

But creating a corporate culture where workers feel comfortable seeking help from their company's EAP or other resources can help, experts say.

See **SUICIDE** page 22

SPOTLIGHT

GLOBAL REINSURANCE MARKETS

Reinsurers fill-up capital after tough year; upswing in mergers and acquisitions signals strategic moves; cat bond activity increases; European reinsurers practice ERM; plus *BI* ranks largest reinsurers. **PAGE 10**

LLOYD'S MARKET REPORT

Business booms as reforms create stronger market; U.S. risk managers turn to Lloyd's to place tough risks; brokers welcome changes to stabilize markets; Lloyd's CEO outlines vision. **PAGE 16**

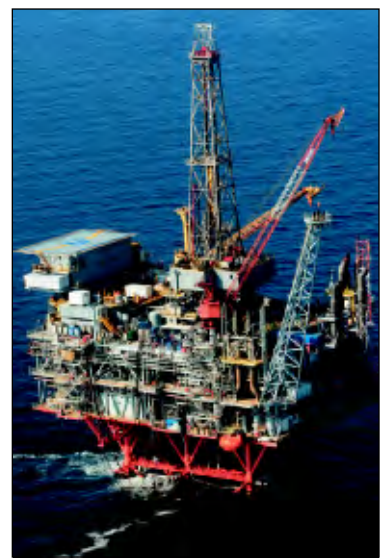
In tight market energy firms drop cover, cross fingers

By **ZACK PHILLIPS**

Offshore energy companies in the Gulf of Mexico, which have enjoyed a calm storm season so far, are hoping their luck holds out, as many of them have less windstorm insurance than they have ever had before.

Hard market conditions at this spring's renewals, when offshore energy underwriters sought dramatic increases in rates and retentions, prompted a significant number of energy companies to buy less insurance or none at all, brokers and underwriters say.

Among offshore energy companies that operate mainly in the Gulf



REUTERS

Many energy firms operating in the Gulf of Mexico have either cut their limits or opted to self-insure.

of Mexico, about one-third bought less insurance this year than previously, while another third opted to self-insure entirely, said John Keely, managing director and director of exploration and production at Aon Energy, a division of Aon Risk Ser-

See **ENERGY** page 23

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On the Web

LEADING GLOBAL MARKETS

Online resource debuts with Lloyd's report

Starting with the Lloyd's Market Report, which starts on page 16, information about the world's leading insurance markets will be consolidated in a Leading Global Markets section. This new area of the Web site will be updated regularly with reports on other marketplaces. Visit www.BusinessInsurance.com/LeadingGlobalMarkets.

BI VIDEO

Experts discuss choosing a TPA

In this new segment in the Issues in Risk Management series, *Business Insurance* speaks with leading third-party administrators to find out what risk managers should look for when choosing a TPA. Go to www.BusinessInsurance.com/video.

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\$1.48 billion cover arranged for Chicago 2016

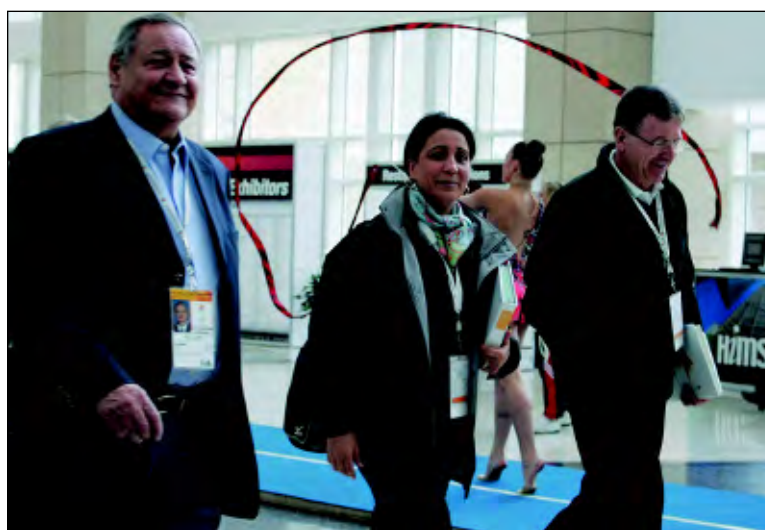
If Windy City is chosen to host Games, insurers are lined up

By MARK A. HOFMANN

CHICAGO—The organization overseeing the bid to bring the 2016 Summer Olympic Games to Chicago says it has arranged for \$1.48 billion in insurance coverage should the city be chosen.

The \$1.48 billion in coverage consists of \$500 million to cover public liability risks, \$475 million in event cancellation and abandonment insurance, and \$500 million in excess clash cover, according to a document released to city officials last Friday.

Chicago 2016—the city's organiz-



International Olympic Committee members walk through McCormick Place during a venue tour in Chicago in April.

REUTERS

ing committee, which is led by former Aon Corp. Chairman and Chief Executive Officer Patrick G. Ryan—

estimates total premium costs associated with hosting the Games would be about \$68.3 million.

According to the document, insurers already are lined up for the public liability cover, which would be in place Oct. 3, the day after the International Olympic Committee announces which of four contending cities—Chicago, Madrid, Rio de Janeiro and Tokyo—will be the site of the 2016 games. The public liability coverage includes property damage and bodily injury.

A spokesman for Aon said: "Aon helped the Chicago 2016 committee put together the structure for the \$500 million insurance program, and did it on a pro bono basis."

See **OLYMPICS** page 26

AIG shares jump on news of change in strategy

New CEO pledges no fire sale of assets, talks with Greenberg

By JUDY GREENWALD

NEW YORK—The recent run-up in American International Group Inc.'s stock price will have only an indirect, albeit beneficial, impact on the insurer's policyholders, observers say.

The stock—which closed at \$50.23 on Friday, more than triple its July 31 close of \$13.14—as of Friday was the best-performing stock for the month in the Standard & Poor's 500, according to S&P.

Among the factors behind the improvement, observers say, is an interview that newly appointed Chief Executive Officer Robert Benmosche gave to Reuters, in which he said he has been talking for months with former AIG CEO Maurice R. Greenberg.

Mr. Benmosche also told Reuters he did not favor a fire sale of AIG's assets, and that in a year people will say AIG is performing well. He subsequently told the Wall Street Journal that he has yet to decide whether to divest AIG's property/casualty insurance business, and will spend the next six to 12 months examining that operation, among others.

Earlier this month, AIG put its commercial insurance operations into a special-purpose vehicle and gave it a new brand name, Chartis. AIG said it subsequently would decide whether to seek outside investors, a third party or a stock offering for up to 20% of the entity depending on market conditions (*BI*, Aug. 10).

AIG shareholders approved a one-for-20 reverse stock split of AIG's outstanding common stock in June.

Bill Bergman, an analyst with Morningstar Inc. in Chicago, said, "My belief is that the jump in share price is something that reflects improved market confidence in AIG, and it's only a positive for the policyholders."

The reported rapprochement between AIG and Mr. Greenberg suggests the possibility of private capital and improved business opportunities through Mr. Green-



REUTERS

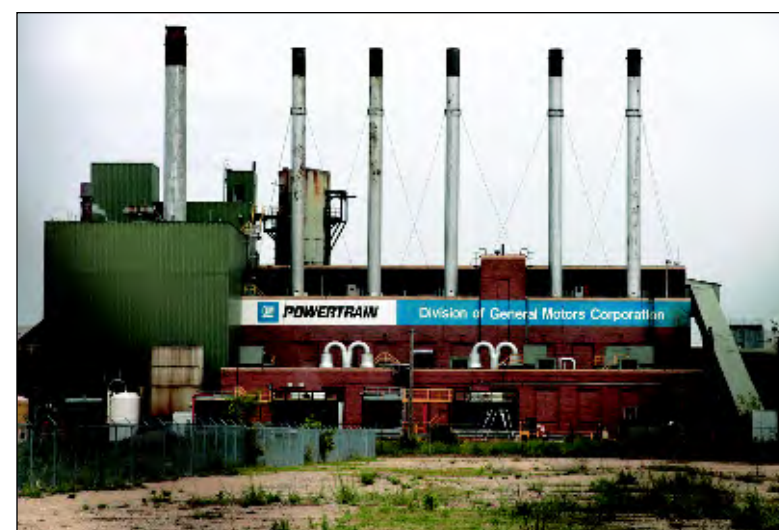
AIG stock more than tripled in August after remarks by new CEO Robert Benmosche.

berg's network of friends, which "is something that's healthy for AIG, relative to where they were six months ago, anyway," Mr. Bergman said.

The improved housing market and economy indicate "things are moving in the right direction, and that's got to be healthy for AIG's fortunes as well," said Mr. Bergman, pointing to AIG's involvement in the mortgage-backed securities arena.

Jennifer Marshall, senior finan-

See **HIGHLANDS** page 22



REUTERS

Workers comp rates in a some hard-hit sectors, such as the auto industry, are rising, but a drop in premium volume is not affecting pricing for most buyers.

Comp premiums decline as layoffs shrink payrolls

But few rate hikes seen as insurers compete to write business

By ROBERTO CENICEROS

Widespread layoffs during the past year and the corresponding decline in payroll have reduced premium volume for workers compensation insurers, but, except in a few cases, insurers have not pushed up rates to make up for the lost business, experts say.

With direct written premiums falling by at least 10% in 2008 and further declines reported in the first half of 2009, premium volume still could be falling despite signs that the economy is improving.

But pressure to increase rates to make up for lower revenues has in part been offset by reduced accident frequency as a result of the smaller payrolls and insurers' decisions to release prior-year reserves, experts say.

Total workers comp premiums declined approximately 10% during

2008 to about \$40 billion, according to the National Council on Compensation Insurance Inc.

And in the first quarter of 2009, workers comp direct premiums written decreased 11.1% to \$10.3 billion, according to Oldwick, N.J.-based A.M. Best Co. Inc.

"If you look at the top writers within the work comp line of business, all of them...you are seeing significant decline in premium and that is really driven by declines in payroll across the board," said Gordon McLean, senior financial analyst at Best.

Data for the second quarter is not yet available, but renewals during the second quarter showed declines in payroll have not eased up from the first quarter, said Jim Miraval, director of commercial risk for Aon Corp. in New York. Although job losses have slowed as the economic outlook has brightened in recent weeks, layoffs continue, other sources added.

But insurers, for the most part, have not increased rates to offset to

See **COMP** page 25

Reform advocates welcome Bernanke's renomination

Fed chief praised for handling crisis, stance on regulation

By MARK A. HOFMANN

WASHINGTON—Risk management and property/casualty insurance industry groups welcomed President Obama's decision to nominate Federal Reserve Chairman Ben Bernanke to a second four-year term.

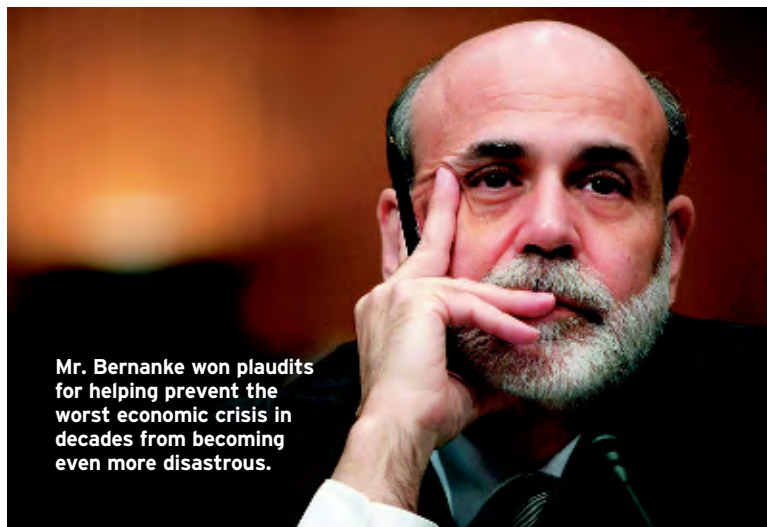
The move is a vote for consistency in economic policy, they say. As one of the key architects of the federal government's rescue of American International Group Inc. and other financial institutions, Mr. Bernanke won plaudits for helping prevent the worst economic crisis in

decades from becoming even more disastrous.

And supporters of a greater federal role in the regulation of insurance—including the possibility of creating optional federal charters for insurers—see Mr. Bernanke's nomination to another term as a boost for their cause.

"As a matter of policy, RIMS would not try to second-guess presidential decisions relating to appointments," said Deborah Luthi, director-external affairs for the New York-based Risk & Insurance Management Society Inc. and director-enterprise risk management for Sacramento, Calif.-based Matheson Inc.

"However, with regard to President Obama's decision to reappoint Chairman Bernanke, RIMS agrees that he acted quickly and decisively to stem the tide of the financial cri-



REUTERS

sis," she said. "RIMS believes that Mr. Bernanke's reappointment will go a long way toward ensuring con-

tinuity and settle the markets. Because he played such a key role in the federal government's decision to

infuse capital into the system and rescue certain entities, it just makes good policy sense that Mr. Bernanke oversees and is a part of the team that unwinds the federal government's extensive involvement. Additionally, because Mr. Bernanke is on record in support of a greater federal involvement and regulation of insurance, RIMS is very encouraged by his reappointment and urges his Senate confirmation."

Ms. Luthi noted that Mr. Bernanke "testified before Congress in favor of the concept of an OFC, which is a long-held RIMS position."

Another organization that supports the idea of an optional federal charter for insurers also praised the move.

See **BERNANKE** page 25

Questions Answers

Charles H. Dangelo, a longtime insurance executive who most recently was chief reinsurance officer of American International Group Inc., earlier this year joined Starr International Co. Inc. as president and chief executive officer of its Starr Indemnity & Liability Co. and Starr Excess Lines units, as well as to lead other operating subsidiaries. Mr. Dangelo caught up recently with Business Insurance Editor Regis Coccia to discuss his plans for the Starr companies.



Starr International chief seeks to grow U.S. book

Q: What companies does Starr International encompass?

Starr International has four insurance companies: Starr Indemnity on an admitted basis and Starr Surplus Lines on an excess basis written in the U.S. We also have Starr Insurance & Reinsurance, a Bermuda-based reinsurer; and Starr Syndicate 1919 at Lloyd's.

These companies provide us with a good global platform to build from. Starr International also works closely with the C. V. Starr & Co. Inc. agencies—and they themselves are adding new agencies.

Q: What is your main responsibility now for the Starr International companies?

I was brought on to help build our U.S. companies. We have a flexible platform to build from, and it creates an opportunity to build our partnership with C.V. Starr's agencies because we both write direct with brokers, as well

as produce business through the agencies. My role is to help direct the expansion of our companies in the U.S. I will be working closely with Steve Blakey, who will direct the International expansion. We're very excited about this opportunity, and the feedback we're hearing from both brokers and customers is they're changing how they approach their insurance buying. The time when they'd place much of their program with one carrier is gone; they're diversifying their placements much more, and that creates strong opportunities for companies like Starr International.

Q: How are the Starr companies planning to grow?

We're looking to build on a strong platform that we already have. That means we'll grow through creative products, quality service, and specialty underwriting. It's not our culture to

See **Q&A** page 23

Scheme resolves Highlands dispute

By COLLEEN MCCARTHY

LONDON—A so-called scheme of arrangement for insolvent London-based insurer Highlands Insurance Co. (U.K.) Ltd. became effective last week, paving the way for direct policyholders to submit claims, and bringing resolution to a longstanding legal dispute between the insurer and its U.S.-based parent.

Under the terms of the agreement, direct policyholders have until Nov. 18 to pursue unpaid claims and incurred-but-not-reported claims and will receive compensation by July 2010, according to joint administrators of Highlands and PricewaterhouseCoopers L.L.P., which arranged the transaction.

Highlands administrator Dan Schwarzmann, a partner at PwC in London, said the agreement repre-

sents "the best possible scenario for policyholders to be paid in full," but declined to comment on the expected number of claims or the expected amount the scheme will pay out on the value of outstanding claims.

Mr. Schwarzmann said claims will be considered "paid in full" if the policyholder receives what scheme administrators determine to be "fair value" for a claim.

Highlands U.K., which became insolvent in 2007, wrote predominantly London market excess-of-loss business until it went into runoff in 1994. At the end of 2005, the date of its last audited balance sheet, the company had gross technical liabilities of about \$160.4 million, according to PwC.

Schemes of arrangement are legal structures commonly used in the London marketplace as a more flex-

ible and cost-effective alternative to liquidation. Unlike a typical U.S. liquidation process, which allows new claims for years, most schemes of arrangement impose strict deadlines, or bar dates, after which no other claims will be considered for distribution purposes. The agreement offers some advantages to creditors, including early payment in full of all timely claims, said Julius A. Rousseau III, a partner with Herlick, Feinstein L.L.P. in New York.

However, observers say there is typically some "wrangling" about valuations, and ultimate disbursements wind up being a percentage of what the policyholder is seeking.

Because of this gray area, policyholder lawyers say it's too soon to say how successful the scheme will

See **HIGHLANDS** page 25

Industry leaders to meet at symposium

A collection of leaders from the insurance industry will provide attendees at this year's Entrepreneurial Insurance Symposium insights into everything from selecting the right brokers and insurers to tapping innovation to increase market share.

This year's symposium—the third annual gathering—is scheduled for Sept. 15-16 at Cityplace in Dallas. Among the speakers at this year's event are eight presidents or chief executives of major insurance industry companies, four Fortune 500 risk managers and other leading figures in insurance industry innovation.

Session topics at this year's symposium—presented by Dallas-based MarketScout in partnership with *Business Insurance*, Liberty Mutual Group Inc. and Microsoft Corp.—range from macroeconomic insurance industry issues to collaborative commercial underwriting, growth through acquisition, and risk management issues in the economic and insurance market climate.

J. Hyatt Brown, chairman of Brown & Brown Inc., will offer a keynote presentation Sept. 15 called "The Demise of the American Agency System—True or False?"

Participants on the risk manager panel Sept. 16 include Lance J. Ewing, vp-risk management at Harrah's Entertainment Inc.; Kevin Burren, director-risk management at BNSF Railway Co.; Greg Dodd, risk manager at Perot Systems Corp.; and Kyle Weddle, who spent 15 years as a regional risk manager at General Motors Corp. and from June 2006 until this May also served as GM's global risk practices leader.

The symposium provides numerous networking opportunities during meals and breaks and a Tuesday evening reception, and vendors will be on hand in the symposium's networking mall.

For more information about the full program or to register for this year's Entrepreneurial Insurance Symposium, go to www.einsurancesymposium.com or call 972-934-4256.

Errors & Omissions

An article in the Aug. 24 issue, "Employers Consider Short-haul Medical Tourism," incorrectly identified Todd Roscoe as the CEO of Healthplace America; Mr. Roscoe is the company's chief managed care officer.

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When a patron claimed to take a bad fall outside the entrance of a major retail establishment, the manager first went to her aid, and then came to us. Risk management planning had ensured there were anti-slip mats at the entrance and a surveillance camera, which captured the staged accident. The fraudulent claim was then denied and referred to the local authorities, protecting the customer from unwarranted losses and potential litigation. Whether it's responding quickly, keeping you informed, or helping to mitigate potential losses, our general liability experts are committed to helping you protect your business. That's our policy. For more information, contact your broker or agent or visit libertymutualgroup.com/gl.



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Readers Choice voting ends 9/4

Business Insurance invites its readers to vote for the best overall commercial insurance industry companies in our fifth annual Readers Choice Awards before time runs out.

The final deadline to receive completed online ballots has been extended to Sept. 4. After that date, balloting will be closed.

Launched in 2005, *BI's* Readers Choice Awards recognize the top-performing companies in more than a dozen different categories relating to risk management, insurance and employee benefits.

Readers of the news magazine, along with visitors to *BusinessInsurance.com*, are invited to vote for



companies they believe offer the best combination of service, value, quality and innovation.

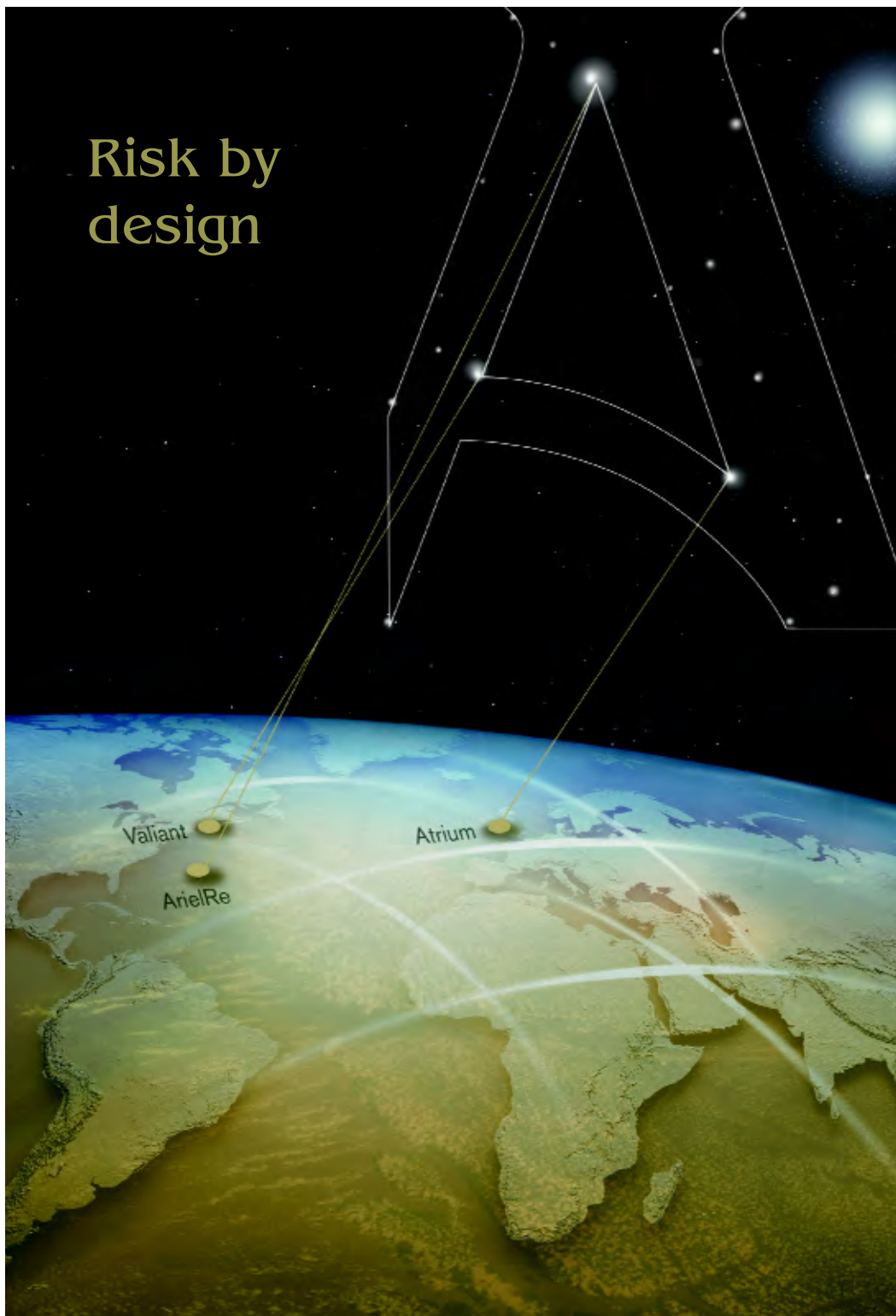
Winners in all the Readers Choice Award categories will be announced and profiled in the Nov. 16 issue of *Business Insurance* and online after

publication. A dinner event honoring this year's winners is scheduled in Chicago. For information, contact Events Manager Becky Briggs at rbriggs@businessinsurance.com.

All votes are completely confidential, and *BI's* ballot provides lists of the largest companies in each category for convenience only; voters may write in other companies if they choose. Inadvertently omitted from the 2009 ballot, in the third-party administrator category, was Helmsman Management Services, a unit of Liberty Mutual Group Inc.

To participate in this year's Readers Choice Awards, go to www.businessinsurance.com/ReadersChoice.

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Commentary

Interests cause small health reform conflict



**JOANNE
WOJCIK**

Senior Editor Joanne Wojcik can be reached at: jwojcik@businessinsurance.com

When I started reporting on a doctor-rating project in three pilot cities including Denver, I was relieved to discover I had no conflict of interest. Even though I was among those who received a survey, I never returned it. After reviewing my responses, I decided I was being too hard on my doctor and shredded it instead.

But it seems conflicts of interest are hard to avoid among those close to the debate about national health care reform.

I recently saw a Washington Post article pointing out that Lewin Group, a Falls Church, Va.-based consulting firm whose stats often are cited by opponents of a public insurance option, is owned by Ingenix Inc., a subsidiary of UnitedHealth Group Inc., the nation's largest health insurer.

The article said lawmakers, who have been quoting Lewin data showing more than 100 million U.S. residents might leave their employers' health plans if a government-run alternative were available, have not disclosed that the consultant is owned by an insurer that would lose out if such a scenario ever occurred.

Lewin Group, whose clients include government and private groups with diverse political perspectives ranging from the liberal Commonwealth Fund to the conservative Heritage Foundation, has no record of ever lobbying lawmakers. In fact, Republican and Democratic lawmakers have regarded its analyses as independent and unbiased. But UnitedHealth's 2007 acquisition of Lewin presents the appearance of a conflict of interest, the article suggested.

The situation got me wondering what other conflicts of interest exist among others involved in the health care reform debate.

Nearly 1 in 4 members of Congress held investments in health care companies during 2007, the most recent year for which data is available. More of them may be indirectly invested if any of their retirement money is in an S&P Index fund.

UnitedHealth, Merck & Co. Inc. and Pfizer Inc. were among the most popular direct investments in lawmakers' portfolios, according to the Center for Responsive Politics, a Washington-based organization that follows the money in U.S. politics and its effect on elections and public policy. All three companies also are among the biggest spenders on federal lobbying so far this year. In fact, the health care sector spent more than any other industry on lobbying, collectively forking over some \$133 million to protect its interests

should Congress pass health reform, according to the center.

Susan Bayh, the wife of Sen. Evan Bayh, D-Ind., earned nearly \$1 million in cash, stock and stock options between 2006 and 2008 while serving on the board of Indianapolis-based WellPoint Inc., a leading critic of a public option. Citing Lewin Group's analyses, WellPoint repeatedly has said it would be put at a competitive disadvantage if health reform includes a public

Nearly 1 in 4 members of Congress held investments in health care companies during 2007.

health option. Ms. Bayh also sits on the boards of at least three other health care companies and once worked as a lawyer for Indianapolis-based Eli Lilly & Co. But Sen. Bayh says he is "agnostic" about a public plan option.

Sen. John Kerry, D-Mass., and wife Theresa Heinz hold between \$22 million and \$27 million in health care companies—more than any other lawmaker and spouse—but the senator supports a public plan option.

And Rep. Jared Polis, a Democrat from my home state of Colorado, supports a public health insurance option, but has invested between \$1 million and \$5 million in BridgeHealth International Inc., a Denver company that specializes in medical tourism.

While it is essential that lawmakers and consultants disclose potential conflicts of interest, I'm not convinced their health care company connections, investments or the industry's lobbying efforts are having much influence over lawmakers' opinions about health reform.

As one lobbyist recently put it, "We give them money, and then they do whatever they want. Then we give them more money, and they still do whatever they want," he said.

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Business Insurance OPINIONS

Kennedy leaves lasting impact on benefits

IT WOULD BE DIFFICULT to overstate the impact the late Sen. Edward Kennedy had on employee benefits.

Aided by his leadership and legislative skills, Congress passed measures that have benefited millions of employees and their dependents.

His most significant accomplishment in the benefits realm came with the passage of legislation in 1996 that curbed the use of exclusions of pre-existing medical conditions in health care plans.

The enactment of that legislation, in which Sen. Kennedy played a key role fashioning a deal for which Republicans and Democrats voted, has been a boon to employers and employees. For employers, it removed a roadblock that made it more difficult for them to recruit employees, and for employees, it made it easier to move on to jobs they wanted.

He also played a vital role in last year's passage of mental health care benefits parity legislation, a law that ended decades of discrimination in health plan coverage of mental disorders.

Sen. Kennedy, who died last week of brain cancer, had an unusual style. He was not of the take-it-or-leave-it school of politics many lawmakers now practice.

He was different, understanding that lawmaking is as much about negotiation and compromise as it is about good ideas. On the portability bill, for example, which Sen. Kennedy very much wanted, he had to accept a provision he disliked, advanced by Senate Republicans to allow employers to offer medical savings accounts, the predecessor to health savings accounts. Considerable negotiation led to a fair compromise on MSAs, and millions of workers benefited from the enactment of the portability legislation.

We hope Sen. Kennedy's approach to lawmaking is one that members on both sides of the aisle follow as they try to reach agreement on health care reform legislation—the passion of Sen. Kennedy's political life.

He was different, understanding that lawmaking is as much about negotiation and compromise as it is about good ideas.

Decision on Fed chair's 2nd term the right one

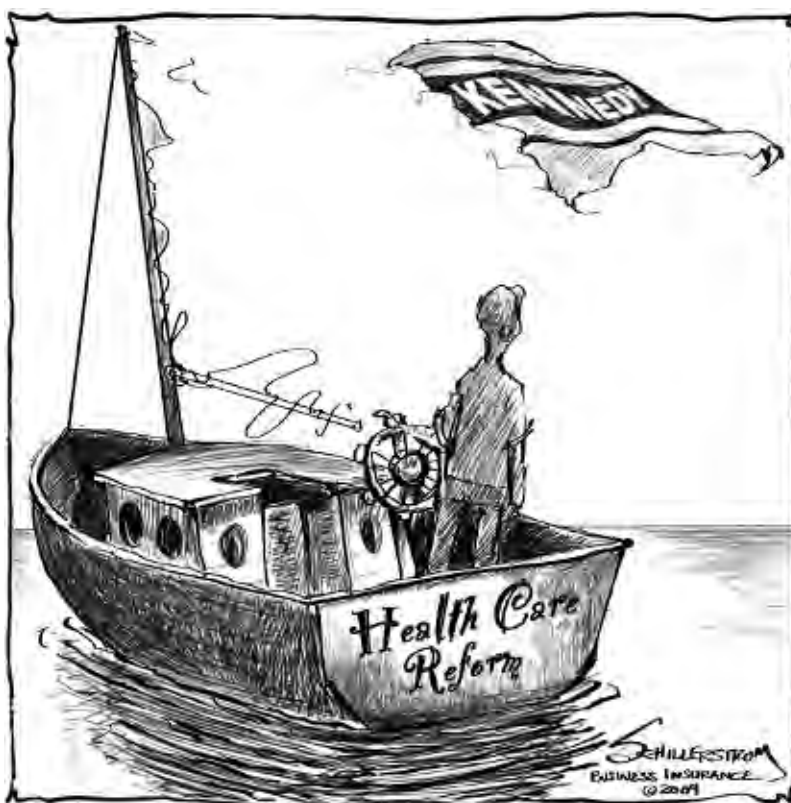
AN ADAGE HOLDS that you shouldn't change horses in mid-stream. We believe that advice holds for chairmen of the Federal Reserve Board as well.

That's one of the reasons we welcome President Obama's decision to nominate Ben Bernanke for a second four-year term as Fed chairman. In doing so, the president exhibited a commitment to consistency—a much-needed quality in a time of economic uncertainty.

But we hail the decision for other reasons as well. Mr. Bernanke was one of the architects of the federal government's rescue of American International Group. While he's made clear that the AIG situation disgusted him, he nevertheless moved decisively and, in doing so, prevented a bad situation from growing even worse. The details of the rescue will and should be debated for years in case a similar situation should arise, but the fact remains that Mr. Bernanke moved swiftly to deal with it.

We also welcome the nomination because Mr. Bernanke has made it clear that he is open to insurance regulatory reform. We believe a greater federal role in insurance regulation is a must, a belief shared by lawmakers and policymakers in both parties. Mr. Bernanke's blessing cannot help but further that goal.

Comprehensive financial services reform no doubt will take quite awhile to implement. We welcome the strong possibility that Mr. Bernanke will have at least another four years to push for needed reform.



WRITE

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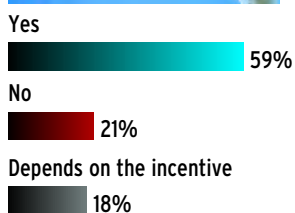
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NEXT WEEK'S QUESTION

Q: How will the death of Sen. Edward Kennedy affect health care reform legislation?

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Health reform bound to affect malpractice

A result of health care reform may be an increase in valid medical malpractice claims, says Philip J. Edmundson, chairman and chief executive officer of brokerage William Gallagher Associates in Boston. He advises hospitals and health care providers to prepare for an increase in litigation after a reform bill is passed. He also says increased transparency would be “like putting a bull’s-eye on the back of many hospitals.”

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SPOTLIGHT

Reinsurers refuel after tough year

*Outlook improves
as capital markets
begin bounce back*

By JUDY GREENWALD

Despite the drubbing they took on their investments in 2008, reinsurers survived the financial crisis better than many others in the financial sector and their capital positions have improved significantly during the past few months, observers say.

But while the improved investment environment has boosted balance sheets, reinsurers are not yet home free, experts say.

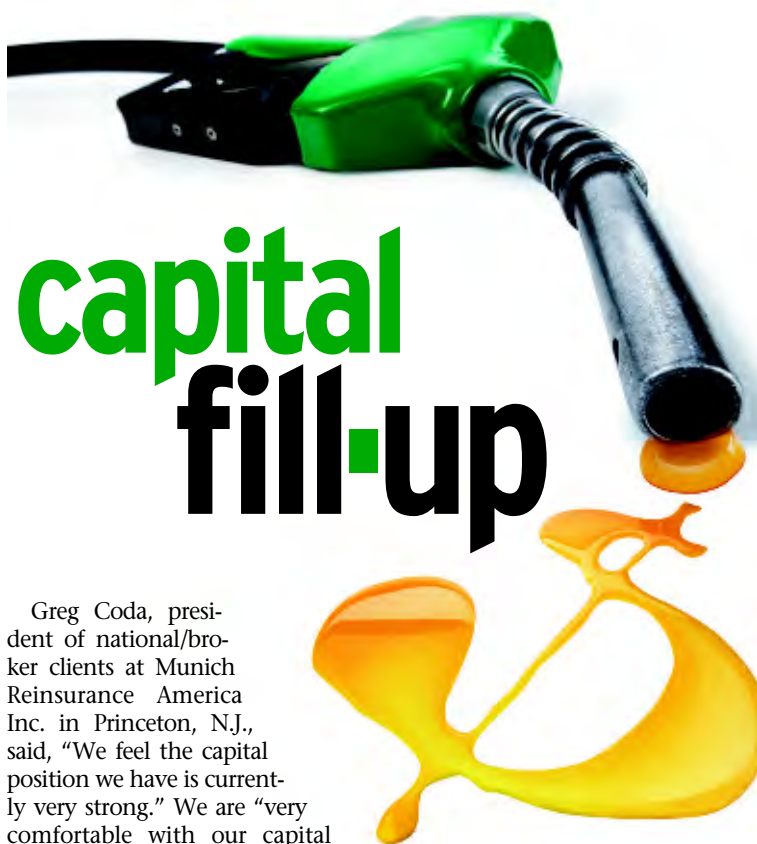
With three months of the Atlantic hurricane season left, a major catastrophe, or string of events, still could imperil many companies' financial stability.

The hurricane season started in earnest this month with Hurricane Bill, which attained major status before weakening and skimming the eastern coast of Canada.

If a major hurricane strikes North America in 2009, however, many observers believe reinsurers would have an easier time "reloading" their capital than they would have a few months ago. But none expect a quick return to the financial environment of 2001 and 2004, when capital flowed freely into the reinsurance markets after bad loss seasons.

In general, reinsurers weathered the financial crisis better than many other companies in the financial sector, said Byron G. Ehrhart, chairman of Investment Banking Group and chief executive officer of Aon Benfield Analytics at Aon Benfield in Chicago.

Reinsurers "greatly outperformed other institutions" during the economic crisis, managed their capital conservatively, and were able to provide renewal capacity without the need for any assistance from the government, private equity funds or hedge funds. "They really had to rely on their own capital," he said.



Greg Coda, president of national/broker clients at Munich Reinsurance America Inc. in Princeton, N.J., said, "We feel the capital position we have is currently very strong." We are "very comfortable with our capital position right now," he said.

Reinsurers have significantly improved their capital position this year, according to Chris Klein, head of the business intelligence group at Guy Carpenter L.L.C. in London. Sixteen major reinsurers surveyed by Guy Carpenter, which collectively reported a \$3.5 billion loss for 2008's first half, posted \$4.6 billion in net income for this year's first half, in large part because of a reduction in unrealized investment losses.

Reinsurers "managed to claw back as much as half or even more than half of the capital they lost last year," he said. "Clearly, they're in a greater position to absorb losses."

In addition to a modest recovery in financial markets, "from a purely underwriting perspective" the first six months have been fairly strong, said Laline Carvalho, a credit analyst with Standard & Poor's Corp. in New York.

"We see reinsurers entering the hurricane season, which peaks in

September, in a relatively strong position," said William H. Eyre Jr., Philadelphia-based managing director of Towers Perrin's reinsurance brokerage business.

"Some reinsurers have not utilized all of their cat capacity due to lower demand from the P/C carriers," he said.

The story for 2009 "has been preservation of capital," said Paddy Jago, New York-based chief executive officer of Willis Re U.S. Inc.

That trend has been apparent in reinsurers' appetite for catastrophe business, said Steven K. Bolland, president of New York-based intermediary Gill & Roeser Inc.

In the past, reinsurers may have been willing to risk 30% of their capital, but now it may only be 25%, "so you could make the argument that perhaps even a major cat this year will have less of an impact on their capital and surplus" than it

might have had in prior years, Mr. Bolland said.

"The financial crisis created a heightened realization of how dear capital is, especially in the current economic environment," said William Jewett, president and CEO of reinsurance operations at Bermuda-based Endurance Specialty Holdings Ltd. Reinsurers "are being especially careful today, taking a harder look at the consequences of losing significant capital and the challenges and difficulties of replenishing it. Underwriting decisions are being made with that in mind."

Still, cedents are concerned about reinsurers' capital position and are looking to diversify their programs, said Hugo Crawley, chairman of London-based BMS Group.

That is "why we've seen clients syndicating their risks wider in the reinsurance market," he said. It also has "driven some markets to drum up a bit more capital now," he said.

Any need to recapitalize will depend on the size of a catastrophe, said Kevin Lee, vp at Moody's Investors Service in New York. "If it's a fairly modest hurricane, on the size of a Hurricane Ike, for example, then we wouldn't expect a broad need for reinsurers to recapitalize."

If there was a major hurricane, "some reinsurers would be able to recapitalize, but some would not. I think at this point market confidence is still a little bit shaky" and the market "is going to be more discriminating" than it has been in the past, said Mr. Lee.

Because of reinsurers' improved situation "a loss would have to be in excess of \$25 billion to \$30 billion to impair the reinsurance market to some extent," said Mr. Jago.

"Good organizations could attract investors in the event of a very large catastrophe, but it will not be the situation it was post-Katrina," said Devin Inskeep, senior financial analyst with Oldwick, N.J.-based A.M. Best Co. Inc. "I would not expect there'll be a class of 2010," he added, referring to the creation of several new reinsurers.

Strategic moves lead to upswing in M&A activity

By STUART COLLINS

Despite a recent flurry of reinsurer acquisitions, a general lack of financing is expected to curtail large deals, brokers and analysts say. Mergers and acquisitions that occur likely will be relatively small and driven by a desire to diversify or gain access to capital, the experts say.

Reinsurer in Europe and Bermuda have led the acquisition spree.

In June, London-based Amlin P.L.C. said it would acquire Fortis Corporate Insurance N.V., the corporate insurance arm of Fortis S.A./N.V. In July, Pembroke, Bermuda-based PartnerRe Ltd. said it would buy Zug, Switzerland-based

Paris Re Holdings Ltd. After a battle, Validus Holdings Ltd. agreed in July to merge with IPC Holdings Ltd.

There is a "clear trend" of reinsurance M&As, said Mark Flenner, head of corporate finance for non-life insurance at KPMG in London. But there is no one driver; rather, deals are multifaceted, he said.

Amlin's \$488.8 million acquisition of Fortis is a strategic move to build a European platform, while Validus' \$1.65 billion cash and stock acquisition of IPC Re gives it access to relatively cheap capital compared with debt or equity financing, Mr. Flenner said.

PartnerRe's roughly \$2 billion acquisition of Paris Re "is simple

consolidation," he said. "PartnerRe viewed Paris Re as an opportunity to get bigger and drive out cost, and so better compete with the largest reinsurers."

While there have been some deals, M&As are difficult to do because of limited funding from banks and capital markets, experts say.

There are reinsurance companies for sale, but the list of firms that are able to buy is short, said Simon Harris, team managing director for insurance in the Europe, Middle East and Africa region for Moody's Investor Service in London. "A relatively small proportion of reinsurers are in a position to make an acquisi-

tion because they lack funding and, because of this, I would not expect to see a wave of M&A activity."

While further major deals are unlikely, reinsurers likely will make "bolt-on" acquisitions they can fund themselves, Mr. Harris said.

M&As likely will continue in the foreseeable future as reinsurers look to diversify, get bigger and gain access to capital, said James Kent, executive vp at Willis Re in Hamilton, Bermuda.

Midsized reinsurers—those with a market capitalization of about \$1 billion to \$2 billion—are most likely to seek M&As to get the scale

See **M&A** page 13

**BI RANKS
WORLD'S LARGEST
REINSURERS**

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**MORE CAT BOND
ACTIVITY HELPS
SAVE ILS SECTOR**

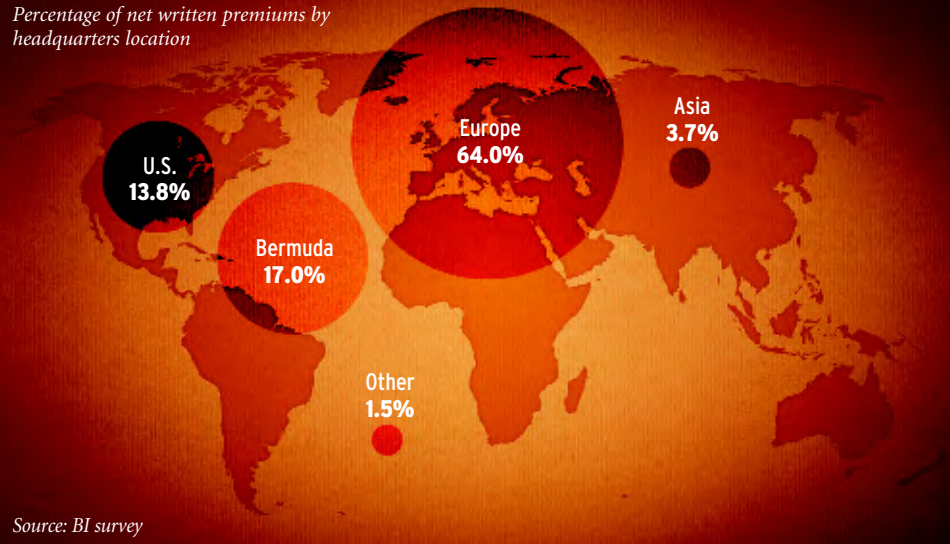
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**EUROPEAN
REINSURERS USING
ERM MORE OFTEN**

PAGE 14

LEADING REINSURANCE CENTERS

Percentage of net written premiums by headquarters location



PREMIUM GROWTH

Net reinsurance premiums written by the top 10 reinsurers, in billions of dollars



OVER AND UNDER

Ranked by combined ratio in 2008

HIGHEST

American Agricultural Insurance Co.	110.9%
Max Bermuda Ltd.	103.3%
Korean Re	103.1%
XL Re	102.2%
Arab Insurance Group B.S.C.	101.8%
White Mountains Re Group Ltd.	101.8%

LOWEST

General Re Corp.	43.3%
RenaissanceRe Holdings Ltd.	69.0%
Berkshire Hathaway Reinsurance Group	78.0%
ACE Tempest Reinsurance Ltd.	82.4%
Lloyd's of London	83.8%
Greenlight Capital Re Ltd.	84.4%

Source: BI survey

World's largest reinsurers

Ranked by 2008 net premiums written

Rank	Company/Address	Phone/Web site	2008 net premiums written	% change	2008 net premiums earned	% change	2008 combined ratio	2008 employees	Principal officer
1	Munich Re Group Koniginstrasse 107, Munich, 80802 Germany	49-89-3891-0 www.munichre.com	\$30,379,738,000 ¹	7.7%	\$29,780,389,800 ¹	5.8%	99.5% ²	10,534	Nikolaus von Bomhard, chairman-board of management
2	Swiss Re Group Mythenquai 50/60, Zurich, 8022 Switzerland	41-43-285-2121 www.swissre.com	\$23,724,311,400 ³	-8.8%	\$23,578,224,600 ³	-10.7%	97.9%	11,560	Stefan Lippe, CEO
3	Berkshire Hathaway/Gen Re Group ⁴ 100 First Stamford Place, Stamford, Conn. 06902-6745	203-363-5200 www.berkshirehathaway.com , www.gcr.com	\$11,441,000,000	-31.1%	\$10,381,000,000	-39.5%	N/A	1,930	Ajit Jain, president-Berkshire Hathaway Reinsurance Group; Franklin Montross IV, chairman/ CEO/president-Gen Re group
4	Hannover Re Group Karl-Wiechert-Allee 50, Hannover, 30625 Germany	49-511-5604-0 www.hannover-re.com	\$10,653,226,680 ¹	7.6%	\$10,398,948,791 ¹	4.0%	96.2%	1,812	Ulrich Wallin, chairman
5	Lloyd's of London 1 Lime St., London, EC3M 7HA England	44-207-327-1000 www.lloyds.com	\$8,588,189,500 ⁵	2.4%	\$8,386,049,000 ⁵	-2.9%	83.8%	N/A	Richard Ward, CEO
6	SCOR 1 Ave. Charles de Gaulle, Paris La Defense Cedex, F-92074 France	33-1-46-98-7000 www.scor.com	\$8,551,388,000 ¹	31.0%	\$7,776,800,600 ¹	31.0%	98.6% ²	1,570	Denis Kessler, chairman/CEO
7	Transatlantic Holdings Inc. 80 Pine St., New York, N.Y. 10005	212-770-2000 www.transre.com	\$4,108,100,000	3.9%	\$4,067,400,000	4.2%	98.5%	600	Robert F. Orlich, president/CEO
8	PartnerRe Ltd. 90 Pitts Bay Road, Pembroke, HM 08 Bermuda	441-292-0888 www.partnerre.com	\$3,989,435,000	6.2%	\$3,928,024,000	4.0%	94.1%	995	Patrick Thiele, president/CEO
9	ACE Tempest Reinsurance Ltd. ⁶ The ACE Tempest Re Building, 30 Woodbourne Ave., Hamilton, HM 08 Bermuda	441-292-2603 www.ancelimited.com	\$3,960,981,000	27.9%	\$3,862,863,000	23.0%	82.4%	39	Erin Skala, president/COO
10	Everest Re Group Ltd. Wessex House, 45 Reid St., Second Floor, P.O. Box HM 845, Hamilton, HM DX Bermuda	441-295-0006 www.everestre.com	\$3,505,213,000	-10.6%	\$3,694,301,000	-7.6%	95.6%	858	Joseph V. Taranto, chairman/CEO

1 Euro=\$1.4726 Fiscal year ending Dec. 31. 2 Nonlife business only. 3 Swiss franc=\$0.9246 Fiscal year ending Dec. 31. 4 Combined figures of Berkshire Hathaway Reinsurance Group and General Re Group. 5 British pound=\$1.8545. 6 Includes all reinsurance business performed by subsidiaries of ACE Ltd. N/A=Not available

Source: BI survey
Researched by Karen Tucker

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M&A: Moves lead to more activity

CONTINUED FROM PAGE 10

required to compete with the largest reinsurers and keep up with primary insurers' increasing size, experts say.

"Clients look to trade with reinsurers that have large capital bases; with the financial crisis, market security and counterparty risk has become even more important," said Paul Schultz, president of Aon Benfield Investment Banking Group in Chicago. This expectation could drive consolidation as midsize reinsurers compete to get larger, he said.

M&A opportunities are limited on mainland Europe, but London and Bermuda are fertile ground for consolidation, experts say.

Consolidation in the Bermuda market is likely as reinsurers seek to gain scale and access to capital, said Seb Kafetz, relationship manager for insurance at London-based bank Lloyds TSB Corporate Markets.

And many Bermuda-based reinsurers and specialty insurers are backed by private equity investors who will look for an exit, said Mr. Kafetz. In the past, they have exited through an initial public offering of stock, but the IPO market for such companies is unlikely to return until next year, he said.

In the absence of IPOs, private equity owners could exit through an M&A such as the owners of Paris Re who sold their interest to Partner Re, Mr. Kafetz said.

Lloyd's of London entities are in a good position to take market share and make acquisitions, said Moody's Mr. Harris. Amlin acquiring Fortis is a good example of the trend of larger Lloyd's insurers looking to build platforms and gain access to clients outside the market, he added.

With good capital strength, a global distribution platform, and a high rating, Lloyd's may seem to be an attractive market, but there are few attractive syndicates left to acquire and the best Lloyd's insurers are too expensive to buy, Mr. Kafetz said.

"I expect that there will be more consolidation at Lloyd's in two or three years' time. For now, Lloyd's insurers are more interested in expanding outside the market, but may look inward later," Mr. Kafetz said.

M&As most likely will take the form of consolidation between Bermudian or London-based reinsurers and specialty insurers, but there may be interest from carriers further afield.

Most large U.S. and European insurance groups in recent years have exited wholesale lines, such as reinsurance, and are unlikely to re-enter, said Mr. Kafetz. But there has been interest from Asian insurers in European wholesale business, he said, pointing to Tokio Marine & Nichido Fire Insurance Co. Ltd.'s acquisition of Lloyd's reinsurers and insurer Kiln P.L.C. last year. Further acquisitions from Japanese, Chinese or South Korean companies are possible, he said.

Cat bond transactions help save ILS sector

By COLLEEN MCCARTHY

A resurgence in catastrophe bond transactions is helping the insurance-linked securities sector return to healthy levels, and an expected decrease in catastrophe bond pricing could encourage additional sponsors to enter the market in the second half of the year, experts say.

In addition, expected changes under Europe's Solvency II regulatory framework recognizing securitization as an effective risk mitigation technique could further boost the market in the next year, experts say.

The catastrophe bond market—

which has made a comeback after last year's financial collapse—has had 11 transactions so far this year, bringing year-to-date issuance to \$1.8 billion on its way to as much as \$3 billion to \$4 billion, experts say.

While first-half 2009 cat bond volume was down 42% compared with a year earlier, it is a rally from the second half of last year when market turmoil basically shut cat bond issuance down, experts say. And, while cat bond spreads, which determine the price for buyers, were elevated 25% to 50% in the first half of 2009 compared with first-half 2008, several factors are combining to nar-

row spreads and bring pricing levels down, assuming no major catastrophes, according to data from New York-based Guy Carpenter & Co. L.L.C. and GC Securities, both units of Marsh & McLennan Cos. Inc.

The pricing pressure is due to factors that include improvements in the broader capital markets and "more realistic" investment return expectations, said Chi H. Hum, global head of distribution at GC Securities Ltd. in New York.

Additional capital also is being generated by new investments, including pension funds, in the market, observers say. Investors are

expected to redirect roughly \$960 million in maturing catastrophe bonds back into the market in the second half of this year, Mr. Hum said.

"There is diversity in the market. There is new money coming in. Spreads are starting to converge. For us, this is the key to future growth and we think this will attract new issuers and allow non-U.S. perils to be placed again in the market," said Jean-Louis Monnier, European director, insurance-linked securities for Swiss Reinsurance Co. in Zurich.

See **SECURITIES** next page

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European reinsurers implementing ERM more often

Move toward ERM could stabilize market, according to experts

By **STUART COLLINS**

Europe's ultimate risk takers increasingly are using enterprise risk management techniques to reduce their own financial exposures.

Reinsurers across the continent employ economic capital models, price-tracking procedures, protocols to control risk accumulation, and other ERM techniques to get a firm grasp on the risks they face, experts say.

And as they are the organizations at the end of the risk-transfer process, reinsurers' drive to implement ERM is likely to have a stabilizing effect on the whole market, experts say.

Several insurers and reinsurers in Europe have embraced sophisticated risk management techniques for managing their exposures, said Simon Harris, team managing director for insurance in the Europe, Middle East and Africa region for Moody's Investor Service in London.

"Reinsurers were first and fastest to react to the recognition that risk management had to improve after the equity crisis of 2002, building dedicated teams of risk professionals and appointing chief risk officers," he said.

And the development of risk-based capital rules in the European Union under Solvency II, has created a stronger drive toward ERM in Europe, Mr. Harris said.

As a result, leading reinsurers have invested in technology and have recruited additional expertise in areas such as actuarial analysis, financial risk, and modeling, according to reinsurers and consultants.

And many reinsurers and insurers in Europe have developed internal economic capital models to analyze all the risks their organizations face. Regulators in the United Kingdom and Switzerland allow reinsurers and insurers to use the models to

assess their regulatory capital requirements, and, under Solvency II, reinsurers and insurers in the rest of the European Union will be able to do so from 2012.

Internal models are sophisticated actuarial tools that help an insurer calculate the amount of capital it should hold in order to cover its risks, including insurance liabilities, market risk, credit risk or operational risk.

The development of an "all-risk" or enterprise-wide approach to risk management through the use of economic capital models has been a significant development for the reinsurance sector during the past decade, said Raj Singh, chief risk officer at Swiss Reinsurance Co. in Zurich, Switzerland. Reinsurers have begun to model all business risks—including investment and insurance risks—to deploy capital more effectively, he said.

"Enterprise risk management has gained a real foothold in the reinsurance industry, driven by business, but supported with rigor by regulators and rating agents," he added.

And reinsurers will benefit as regulators and rating agents increasingly adopt a common approach to solvency, Mr. Singh said. Reinsurers use the models to help determine their business strategies, but they also have to satisfy the different approaches of regulators, investors and rating agents, Mr. Singh said.

"A move by regulators worldwide towards risk-based and economic value-based solvency regimes would lead to full alignment of economic steering with solvency," Mr. Singh said.

Economic capital models are used by reinsurers in key management processes, such as deciding on levels of capital and its allocation, said Joachim Oechslein, chief risk officer, Munich Re Group in Munich, Germany.

In addition to economic capital models, reinsurers are working on internal controls and governance procedures and risk-reporting requirements, to establish risk appetite and limit their exposures to

Europeans have difficulty implementing risk protocols

European reinsurers have made significant improvements in their risk management procedures, but there still is much to do on embedding those procedures into their organizations, experts say.

The challenge for reinsurers is how to implement risk governance protocols, said Simon Harris, team managing director for insurance in the Europe, Middle East and Africa region for Moody's Investor Service in London.

Reinsurers need an effective risk management framework that is applied well with clear governance rules, said Clive Martin, Partner at Ernst & Young L.L.P. "Regulators are looking for improvements in governance as the financial crisis showed that existing governance structures, even though written down and seemingly clear, did not always work under strain in a crisis."

There are moves, however, to legislate on risk governance for Europe's insurers and reinsurers. Solvency II will require insurers and reinsurers to demonstrate diligent risk management and governance, and make certain risk-related disclosures. And earlier this year Ger-

many's financial regulator, Bundesanstalt für Finanzdienstleistungsaufsicht or BaFin, published its "Minimum Requirements for Risk Management in Insurance Undertakings," known as MaRisk VA, which requires insurers and reinsurers to separate the risk management functions like risk analysis from front-end risk-taking activities like underwriting.

MaRisk VA, which applies to the operations of German insurers and reinsurers worldwide, is a good step forward and will further enhance risk governance in the insurance industry, said Joachim Oechslein, chief risk officer, Munich Re Group in Munich, Germany.

As a result of the financial crisis, there also are moves in Europe to legislate on the compensation of insurers' and reinsurers' staff and management, said Raj Singh, chief risk officer at Swiss Reinsurance Co. in Zurich, Switzerland. The European Union and Swiss regulators have issued consultation documents which propose that compensation should be based on risk-adjusted performance, he said.

—By Stuart Collins

certain risks, Mr. Oechslein said.

A growing trend is reinsurers' use of risk management to manage risk aggregations, optimize their portfolios, and track technical pricing levels, said Richard Rodriguez, a partner at London-based actuarial and consulting firm EMB Consultancy L.L.P.

And their investment in risk management is starting to bear fruit, he said. "We are only seeing the beginnings of the benefits coming

through for the market and while we will not be rid of the (pricing) cycle, we should see more stability on rates. There should be less severity of pricing movements and the boom-and-bust nature of reinsurance should be reduced over time."

Reinsurers are placing a lot more emphasis on capturing data at the time a risk is placed, such as premium rate movements, according to James Illingworth, group chief risk

officer at London-based Amlin P.L.C.

"As risk management becomes more established, it should take out the extremes of the underwriting cycle, and there are already signs of this happening with the current cycle," Mr. Illingworth said.

In addition, reinsurers say they have better control of their exposures.

For example, reinsurers increasingly are imposing absolute limits on how much business they will underwrite in peak zones so as to protect their capital base, according to Conan Ward, chief executive officer of Validus Reinsurance Ltd. in Hamilton, Bermuda.

The history of carrier failures shows the risk of ruin is not so much in a single large loss, but much more in having to rectify, in a single year of account, an accumulation of several consecutive underwriting years of bad risk management in a given class of business coupled with an uncontrolled volume of writings, according to Victor Peignet, Paris-based chief executive officer of SCOR Global P&C S.E.

"One of the direct applications of ERM is in diversification between classes and self-limitation of volumes by class, being both driven by the capital available to the company and its appetite to put it at risk," he said.

As reinsurers better understand their exposures, they may become more selective of the risks they take on, and only underwrite in line with their risk appetite, according to Mr. Harris. "Some risks may be harder to place, or insurers may have to pay more, as reinsurers reduce their appetite for certain risks."

And reinsurers' product offerings likely will adapt to insurers' changing reinsurance needs, driven by their own improved understanding of catastrophe risks, according to Jon Tilman, practice leader for Towers Perrin's European property/casualty insurance business in London.

Quota share reinsurance and products that cap losses to certain catastrophe exposures are likely to become more sought after by primary insurers, he added.

Securities: Catastrophe bond transactions help save ILS sector

CONTINUED FROM PREVIOUS PAGE

Observers point to the most recent deals as a positive sign that market conditions have begun to shift, resulting in more favorable conditions for buyers. Last month, New York-based Swiss Reinsurance America Corp. placed its \$200 million Parkton Re Ltd. bond for North Carolina and barrier island hurricane losses through May 2011; and Hannover, Germany-based Hannover Re placed a €150 million (\$213.2 million) bond Eurus II Ltd., covering windstorms in seven European countries through March 2012.

Strong investor demand boosted both bonds past their original size and pricing was much lower than expected earlier, indicating the market is moving toward an "ILS pric-

ing curve that is more in line with the traditional reinsurance market," said Paul Schultz, president of Aon Capital Markets in Chicago.

Swiss Re America's Parkton Re transaction, placed on behalf of two North Carolina nonprofits that include insurers, is the first ever catastrophe bond program established for the benefit of a state residual market pool to manage its hurricane risk, according to GC Securities, which arranged the transaction. "We actually found quite a bit of capacity available for this bond" Mr. Hum said.

The transaction, which tapped Swiss Re America as a third-party player or "transformer" to issue the bond, may spur similar future transactions, he said.

Observers say they expect more

European perils to be covered by cat bonds issued in the fourth quarter, with a pipeline that potentially includes transactions for European and Japanese wind and U.S. and Japanese earthquake risks.

Aon's Mr. Schultz said the success of Hannover Re's Eurus II bond "has European issuers thinking more about bringing risks to the market."

Another factor experts say is bolstering ILS issuance in Europe is Solvency II, Europe's regulatory regime that is scheduled to go into effect in 2012.

In a July report, the European Union's advisory body on insurance said it expects Solvency II to be a "major development in the ILS market." The Committee of European Insurance and Occupational Pensions Supervisors will establish new

rules on how much capital E.U. insurers must set aside to cover risks.

Under the new regime, regulators will recognize securitization and derivatives as effective risk management techniques. Although the specific treatment of ILS under Solvency II has not yet been decided, the new framework will mean European insurers can use securitization in the same way they use reinsurance to help meet capital requirements. As a result, insurers likely will "use these instruments even more widely," the report said.

While the regulatory changes will take several years to translate into a spike in demand from European insurers to place cat bonds, the developments remain "very positive," said Frank Achtert, managing director, GC Securities, a division of

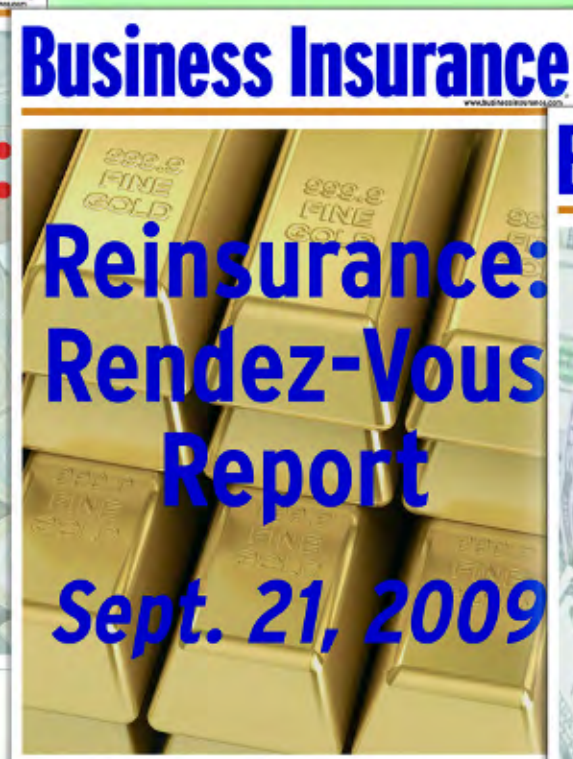
MMC Securities (Europe) Ltd. in Munich, Germany. "Reinsurance, including ILS, is already being viewed more and more as a capital management instrument and I think this approach will be a competitive advantage for companies," Mr. Achtert said.

"Reinsurance, including ILS, is being viewed more as a capital management instrument, and I think, in the long term, this approach will be a competitive advantage for companies," Mr. Achtert said.

Solvency II also likely will compel some players to expand their reinsurance programs to comply with the new standards, Mr. Monnier said. "If there is a demand for more capacity, we would expect the capital markets to be able to provide that," he said.

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LLOYD'S MARKET REPORT

looking UP

By ADRIAN LADBURY

Lloyd's of London is enjoying a boom as policyholders can only benefit from as other rival insurance groups struggle to deal with weak investment returns and falling premium volumes, according to market leaders.

The market reacted vigorously after the Sept. 11, 2001, U.S. terrorist attacks, when it and the wider international insurance market faced massive catastrophe losses that collapsed investment returns.

Lloyd's Chairman Lord Peter Levene arrived in November 2002 and worked

Continued on next page

CEO RICHARD WARD ON HOW REFORMS HAVE AIDED LLOYD'S PAGE 18

U.S. RISK MANAGERS TURN TO LLOYD'S FOR TOUGH RISKS PAGE 18

LLOYD'S BROKERS WELCOME PRACTICES TO STABILIZE MARKET PAGE 19

MARKET CHANGES YIELD COST SAVINGS, IMPROVE SERVICE PAGE 19

Lloyd's of London, which traces its roots back to Edward Lloyd's coffeehouse in 1688, today occupies a modern building at 1 Lime St. in the heart of the city of London.

Continued from previous page

with market leaders chiefly through the Market Reform Group and then Chief Executive Richard Ward (see story, page 18) to drive through a period of reform that laid the foundation for today's success.

Lord Levene took over after the market's massive pre-tax loss of £3.1 billion (\$5.11 billion) for 2001.

Since then, Lloyd's has delivered profits each year, culminating in a record profit of £3.8 billion (\$6.27 billion) in 2007. The only exception was 2005, when it made a loss of £103 million (\$169.8 million) as the rest of the international market was hammered by hurricanes Katrina, Rita and Wilma. For 2008, the market delivered a respectable profit of £1.9 billion (\$3.13 billion).

This newly robust market, long infamous for a boom-and-bust tendency, is largely due to disciplined risk management, market leaders interviewed for this report say.

As outlined in the accompanying analysis, the starting point was the creation of the Franchise Board structure in 2002 by which the Corporation of Lloyd's was able to challenge the managing agencies to present their business plans for approval and then monitor them against performance.

"We were great supporters of" the Franchise Board, said Andrew Horton, chief executive of Beazley Group P.L.C. "The first year or two had a bit of friction, but I think it's highly beneficial. The capital setting process is a good process; it forces all operators at Lloyd's to look at the risks they're running."

Market leaders also say process reform has helped to underpin this discipline with unprecedented efficiency and customer focus. As an example, they cite Lloyd's ability to deliver contract certainty standards within a year of their request by the Financial Services Authority in 2005.

Looking ahead, market leaders perceive great opportunities for Lloyd's. The credit crisis, economic downturn and challenges facing global competitors has led to a renaissance in risk diversification among buyers, which benefits Lloyd's.

"It currently seems that the syndicated market is the way to go and of course the London market is built upon that principle. That is its brand and strength and has been for over 30 years," said Andrew Beazley, deputy chairman and co-founder of Beazley Group.

The global economy also demands global risk transfer solutions. The Lloyd's market's international licenses and broker network enable tightly managed underwriting units to offer unique, global solutions from the single, efficient hub, augmented by newer platforms in emerging markets such as Singapore and China.

Lloyd's leaders also perceive no shortage of fresh investment to complement the established capital that comes primarily from U.S., Bermuda and U.K. investors. But market leaders also expect capital management to be one of Lloyd's greatest challenges.

Stephen Catlin, chief executive of Catlin Group Ltd., said new entrants to Lloyd's should be prepared to pay an entrance tax to long-term players that have helped

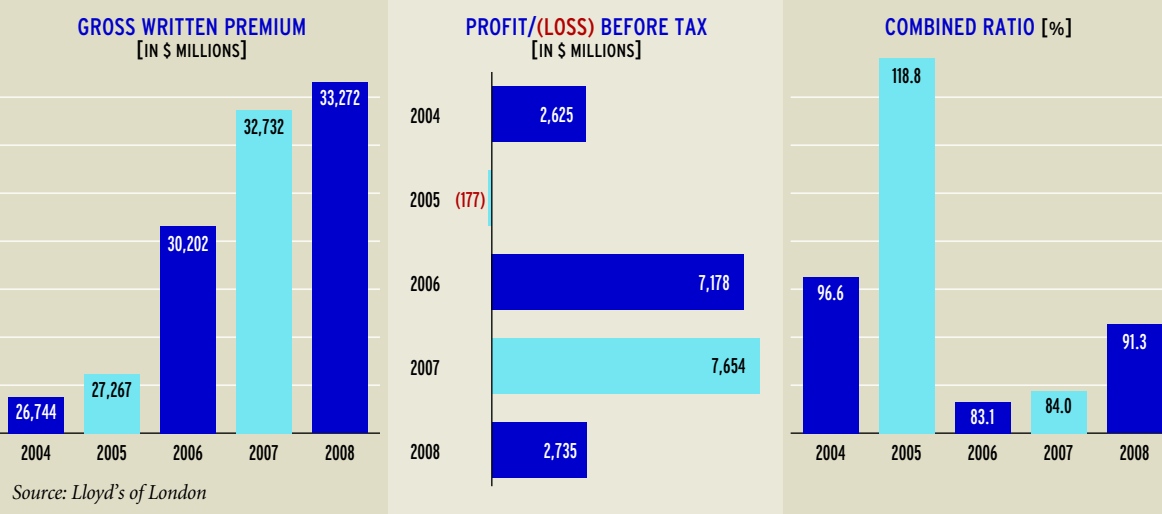
build the successful market of today. Relaxing standards of capital management would exacerbate the threat to top-line growth posed by the reduced budgets of most insurance buyers, Mr. Catlin added.

Dane Douetil, chief executive of Brit Insurance Holdings P.L.C., said overconfidence could be the biggest threat to the market and advised his peers to "stick to their knitting."

He and others said Lloyd's should focus on process improvements.

"Lloyd's reputation is built by doing things very well for the last five to seven years," said Broniek Masojada, chief executive of Hiscox Ltd. "Lloyd's is on the Silk Road, and the business comes here because we have gone out and written it, not just hyped it."

2008 FINANCIAL HIGHLIGHTS



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Questions & Answers

Richard Ward joined Lloyd's of London as chief executive officer in April 2006 from the London-based International Petroleum Exchange, now known as ICE Futures, where he also was CEO. Mr. Ward joined when Lloyd's was under pressure from regulators and others to modernize its business processes. Three years on, Lloyd's has surprised many with the way it handled the financial crisis, delivered a significantly improved service for brokers and policyholders, and the returns it has produced for investors. International Editor Adrian Ladbury asked Mr. Ward how this has been managed and how the momentum can be maintained.



Keeping up momentum

Q: Lloyd's appears to be enjoying a very positive period at a time when Lloyd's traditionally does worse than the wider market. What has changed?

Over the last three years Lloyd's insurers have made big progress moving from a paper-based business to a technology-based business. Technology was used before, of course, but it has now really moved from paper to technology for the transfer of risk. The placement process has not changed so much. Meetings can be held in the underwriting room, the office or even the pub, but the supporting process is all technology-based.

Q: How was this transformation made possible?

We used the Market Reform Group to drive the process (the MRG, which includes leading figures in the market, was created in 2006 to help drive the reform process in areas such as contract certainty). I made that happen and it was my key goal when I arrived at Lloyd's. We were very fortunate in that two-thirds of the business underwritten in London goes through Lloyd's and so if we make a decision, generally the market follows suit. We in the corporation worked very closely with the leading figures on the MRG.

Q: What are the key strengths of the market?

A firm foundation was in place before I arrived. The Franchise Board structure had been created in 2003 by which the market was much more formally managed. We had a performance directorate, common standards were being adopted for underwriting, claims, risk management and corporate governance. The key was to get that embedded. We had introduced a system whereby business plans were formally approved and discipline in this regard has been key. The capital-setting standards introduced in conjunction with the Financial Services Authority were part of that and that helps us to collect the data needed to properly measure the businesses. This is key because we now have real performance data that is collected on a reliable real-time basis.

Q: Is Lloyd's an easier place for customers to do business with because of the reforms?

We try to make sure the processes are as efficient as possible from the point of view of the managing agents and the brokers. We need to make sure that it is as easy to do business with Lloyd's as the company market in the wider London market. The brokers need to find it as easy to work with us as any insurance company. The Lloyd's Exchange (an electronic messaging hub) has an important role to play because it creates core standards that deliver efficiency and a common interface. We have adopted the ACORD standards so that it becomes more standardized, open and transparent.

Q: What are the big challenges looking forward?

Obviously, the current economic environment is not easy. Insurance is a nondiscretionary purchase, but companies are under pressure to cut costs. We are hearing of strong rate increases in some areas like Gulf of Mexico wind coverage. Some customers have decided to self-insure more and because of this I think some insurance companies will find it hard to achieve premium increases. But rates do need to increase to restore profitability, particularly in hard-hit lines like aviation.

Q: Lloyd's has invested a lot of time and effort into expansion in new markets and continues to market itself strongly in the U.S., but what about the mainland European market, which is so much closer? Have you given up on Europe?

We are also looking at Europe. We have recently added licenses such as the new offices in Poland, Ireland and Sweden and we are looking at the Netherlands. Therefore, we have not abandoned Europe—far from it, but remember these are mature markets with established regulatory frameworks. It is different to Brazil, which recently underwent deregulation and we needed to protect our business there and added the reinsurer status.

BREAKDOWN OF LLOYD'S BUSINESS BY REGION



U.S. risk managers like Lloyd's, but see room to grow relationship

Some would like to see more marketing, better relationships

By JEFF CASALE

Lloyd's of London has long derived a significant portion of its business from the United States, where insurance buyers value its capacity and willingness to tackle tough risks, but the market still has opportunities to grow its U.S. book, risk managers say.

Better contact with clients in the United States and a more visible presence in the market would help Lloyd's develop more North American business, they say.

At the beginning of 2009, Lloyd's reported 44% of its business was derived from the U.S. and Canada, compared with 22% from the United Kingdom. Of the business written in the United States, 49% was for surplus lines business and 41% was reinsurance.

Risk managers in the United States use Lloyd's for various insurance needs, including accessing additional capacity and covering tough-to-place property or excess casualty risks, which makes Lloyd's sometimes a primary choice for risk managers.

Lance Ewing, vp of risk management for Harrah's Entertainment Inc., said he has used Lloyd's for several years, which has resulted in somewhat of a "legacy relationship" between the insurer and the gaming company. Mr. Ewing said Memphis, Tenn.-based Harrah's uses Lloyd's for a variety of insurance needs including property, excess liability, workers compensation and occasionally terrorism risks.

"We tend to look to Lloyd's when

we have a difficult risk to place, or something that the traditional U.S. market does not offer," Mr. Ewing said.

Lloyd's ability to handle complex risks, offer high coverage limits, and its global presence are a few reasons why Thomas P. Hunter, vp of risk management for Irving, Texas-based Commercial Metals Co., has used Lloyd's in the past.

While Mr. Hunter said CMC is not using Lloyd's at the moment, he is considering buying excess casualty coverage from the market. He added that he typically accesses

'It takes a certain rapport and expertise dealing with Lloyd's, which is not a capability offered by all brokers.'

Thomas P. Hunter,
Commercial Metals Co.

Lloyd's through large brokerages, such as Chicago-based Aon Corp. or New York-based Marsh & McLennan Cos. Inc.

"It takes a certain rapport and expertise dealing with Lloyd's, which is not a capability offered by all brokers," Mr. Hunter said in an e-mail.

While risk managers value their long relationships with Lloyd's and the market's ability to cover difficult risks, some see ways Lloyd's could serve them better in the United States.

Ryan Brown, St. Louis-based director of insurance and enterprise

risk management for Peabody Energy Corp., said Lloyd's could have a stronger marketing presence in the United States and improve its timeliness in issuing policies and endorsements.

Mr. Ewing agreed, adding that contact with a Lloyd's representative throughout the year, not just at renewal time, would show that they're interested in their U.S. clients.

"It's about building relationships, not just contact at renewal time, and I just don't see that right now," Mr. Ewing said. "I understand distance, but more frequent business, touching of accounts and being more engaged are improvements" Lloyd's could implement.

Al Gorski, manager of risk management for Orange County Transportation Authority, based in Orange, Calif., does not use Lloyd's. But, he added that if the OCTA had rail transportation he would have to use Lloyd's for that risk as it is a larger exposure. Given, however, the organization's needs and risks, Lloyd's is "more expensive than the domestic market."

Mr. Hunter praised Lloyd's for its ability to provide expertise on specialty risks as well as its creativity and flexibility in working with customers. However, he said Lloyd's might consider a "user council" to help further involve brokers, purchasers and underwriters in reviewing risks and developing enterprise covers "for the truly catastrophe risk exposures."

"Lloyd's has a much larger presence than most people believe, both direct and indirect (reinsurance)," Mr. Hunter said in an e-mail. "Lloyd's expertise should be used to create new capacity for hard-to-insure risks."

Brokers, buyers find value in what Lloyd's has to offer

Recent improvements have made market better for business

By REGIS COCCIA

Brokers have always played key roles in Lloyd's of London throughout its 321-year history, and executives from leading brokerage firms view the marketplace today as a better place than ever for their clients.

"In the last nine months, concerns about carriers and the shift toward more of a subscription approach to major risks has played to Lloyd's strengths," said Paul Jack, executive chairman of Lockton Global Risks, a division of Lockton Cos. International Ltd. in London. "Lloyd's is a great home for our clients. At the moment, it's probably the platform of choice for people writing business and for brokers."

Mark Gregory, chief executive officer of Bowring Marsh Ltd., the London-based global risks unit of Marsh & McLennan Cos. Inc., said Lloyd's collection of expertise and risk appetite are valued by insurance buyers.

"One of the virtues of Lloyd's is its willingness to provide a solution for the clients," Mr. Gregory said. "There is usually a will, a desire, to find a solution for every client. It's rare that you can't get something done."

Improvements Lloyd's has made during the past few years have helped make the market more progressive and easier in which to do business, brokers say. They credit the Franchise Performance Board, after periods of great uncertainty for Lloyd's future, as a watershed that bolstered security and made the market more attractive to underwriting businesses.

"Lloyd's actually did look over the edge twice, around (reconstruction and renewal in the mid-1990s) and post-9/11," said Hugo Crawley, group chairman of BMS Group, referring to long-tail liabilities that nearly sank Lloyd's and the Sept. 11, 2001, U.S. terrorist attacks. "Both times it had to look at its long-term future."

After those periods, Lloyd's "has become more centrally regulated. The Franchise Performance Board made an enormous difference, with very strict regulation of business plans. The capital requirements have resulted in a fabulously strong market," Mr. Crawley said. "In my opinion, Lloyd's has never looked as strong as it does today."

"The Franchise Performance Board gives people a lot of comfort," said Lockton's Mr. Jack. "The Lloyd's market has always been made of entrepreneurs. Buyers like to see strong discipline, and Lloyd's has been able to achieve that through the FPB."

Mr. Gregory agreed the FPB "has had a terrific impact on making sure



Mr. Jack



Mr. Gregory



Mr. Crawley



Mr. Clutterbuck

Lloyd's is a more professional and credible marketplace. Lloyd's is looking good. The security is very strong, and the brand is strong."

Simon Clutterbuck, director at BMS Intermediaries Ltd., said clients overwhelmingly see Lloyd's as a secure market. "Anecdotally, in the past we spent a lot of time justifying Lloyd's security. Nowadays, with one or two exceptions, Lloyd's is a tick in the box."

Mr. Crawley cited the advent of corporate capital in the 1990s, as an alternative source of capital from traditional unlimited-liability individual names, as a key development. "Corporate capital has brought the market to a whole new level of professionalism and it saved the market, really," he said.

From the early 1990s until the early years of this decade, the number of businesses at Lloyd's contracted. In the 1980s, Lloyd's had hundreds

of syndicates, compared with 80 at the end of 2008. New syndicates have been formed steadily each year since 2005. Formations have been increasing each year, though, as corporate names see the value of adding a Lloyd's platform, brokers said.

Mr. Clutterbuck said the smaller marketplace, coupled with technological improvements, makes the broker's job easier.

"We're dealing with fewer people than 10 years ago. That's helped," he said. "The market is electronically supported; we can place significant amounts of capacity in a short period of time. We love the efficiency side of it; we don't like the lack of choice" quite as much, Mr. Clutterbuck said.

Electronic claims processing has been a big enhancement, Mr. Jack said.

"The advent of electronic claims processing is always keeping clients

happy. Having invested a lot of time and effort in the improvements, Lloyd's has gotten demonstrably quicker," he said.

But the marketplace does have weaknesses, from a global client perspective, Mr. Gregory said.

"Brokers work extremely hard to go to places to create business opportunities. Lloyd's tends to favor business that it knows well, the kind of business typically written in the Anglosphere" of the United Kingdom, North America and Australia, he said.

"That's a frustration for us. Lloyd's needs to think much more broadly and look to other parts of the world. In that sense, Lloyd's may be missing an opportunity," Mr. Gregory said. "Still, it's amazing they've been so successful for so many years when they're so distant from the clients (around the world). Lloyd's must be doing it right."

Reforms lead to positive changes for buyers using Lloyd's

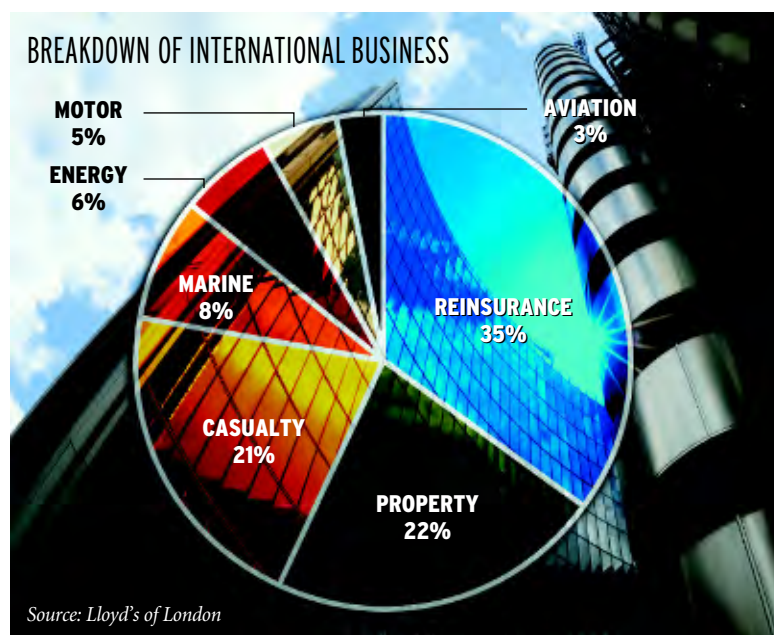
Franchise Board credited as revitalizing Lloyd's businesses

By ADRIAN LADBURY

Lloyd's of London is a much easier, cost-effective and more rational place for insurance buyers to do business than it was in the past because it has made a huge investment in reform during the past decade, market leaders say.

"Lloyd's is currently in a state of robust health and "this is not a coincidence. Ten years ago, we looked at the weaknesses of the 300-year-old market and worked very hard to overcome some of the major areas," said Dane Douetil, chief executive officer of Brit Insurance Holdings P.L.C., who was a pivotal figure within the Market Reform Group that led many of the reforms.

"From a client's point of view, you still have the old benefits such as the ability to build bespoke coverages for all types of complicated businesses. We still have that expertise, but it is now coupled with a far better infrastructure in key areas like policy implementation, contract certainty, claims handling. Big changes have been made and continue to be made,"



continued Mr. Douetil.

Customers also have benefited from more consistency of coverage, security and pricing at Lloyd's because the businesses that comprise it are far better managed than they were in the past, according to market leaders.

This is largely due to the creation of the Franchise Board in 2002, which helped the market raise its standards through the adoption of modern performance management

techniques and disciplined, accountable capital management, long an Achilles' heel for Lloyd's.

"It is a fantastic situation relative to 2002 and 2003," said Bronck Masojada, chief executive of Hiscox Ltd. and deputy chairman of Lloyd's when the Franchise Board was created.

"The real question you have to ask is, who does not have a business at Lloyd's now? We have syndicates backed by most of the leading inter-

national insurance groups," he said.

Stephen Catlin, chief executive of Catlin Group Ltd., agrees a track record is everything in insurance and has worked hugely in Lloyd's favor in the recent turbulent times.

"The stakeholders in this business are shareholders but also credit rating agencies, your staff and, not least, your policyholder. You have to remember that every time you underwrite an insurance policy it is a promise to pay. We are charging a premium because, if we don't, we run the risk of not being able to honor the promise. Unfortunately, this basic concept is sometimes misunderstood; some people have very short memories," he said.

Andrew Beazley, co-founder and deputy chairman of Beazley Group, is delighted with the way the reform process has worked. "It was all about achieving the balance between the free market and central control. For that we came out with the concept of the Franchise Board, a highly transparent system that achieved that balance and has been hugely successful, not least because of the excellent leadership of Rolf Tolle, Lloyd's first franchise performance director," said Mr. Beazley.

And Mr. Beazley agreed with his peers that the combination of this newfound efficiency and improved management, coupled with the

market's long-established advantages, was the formula the market needed.

"This is the O'Hare Airport of the insurance world. There is no other place like it, with such a flexible platform. We pay freight (brokerage) to get the business here and we are willing to pay that. The reason we are willing to pay the brokers for this is because we can concentrate on our skills here. It is a great business model. We do not have to clone our top-class underwriters and send them out to staff lots of offices worldwide with huge costs and no flexibility," he said.

READ what market leaders are saying about Lloyd's online at www.BusinessInsurance.com/LeadingGlobalMarkets

For Mr. Beazley and other leaders, the reform process of the past decade has delivered the perfect mix of old and new. The traditional attributes that made Lloyd's such a force in the global market, such as the subscription system, global license network, and dedicated brokerage community, finally are supported by a modern and improving administrative and processing system that offers brokers and policyholders the level of service demanded and expected in today's business world.

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NOTICE

By order dated October 10, 2001, the Supreme Court of the State of New York, New York County, placed Frontier Insurance Company ("Frontier") into rehabilitation ("Rehabilitation Proceeding") and appointed as rehabilitator of Frontier ("Rehabilitator") the then-Superintendent of Insurance of the State of New York, Gregory V. Serio (and his successors in office) ("Rehabilitation Order"). Pursuant to the New York Insurance Law ("Insurance Law") and the Rehabilitation Order, the Rehabilitator was given the responsibility of, among other things, marshalling Frontier's assets and adjudicating claims consistent with Article 74 of the Insurance Law.

The Rehabilitator has submitted to the Court supervising Frontier's Rehabilitation Proceeding a verified petition ("Petition") seeking an order: (1) establishing a date certain ("Terramar Notice Date") as the last date on which a notice ("Terramar Notice") regarding any insurance policy or insurance or reinsurance contract issued by Terramar Insurance Company, Terramar Insurance Agency, Advanced Risk International, Ltd. or Terramar General Agency ("Terramar Policy") may be submitted to the Rehabilitator so as to preserve any obligation of Frontier pursuant to such Terramar Policy; (2) directing that the Terramar Notice shall be made on forms prescribed by the Rehabilitator and shall accurately and sufficiently set forth the required information identifying (a) the Terramar Policy pursuant to which Frontier has or may have an obligation ("Identified Terramar Policy"), (b) the policyholder(s) of such Identified Terramar Policy, (c) the person(s) with an interest in the Terramar Policy who, by submitting a Terramar Notice, seeks to preserve such person's interest in the Identified Terramar Policy ("Submitting Terramar Policy Interest Holder"), and (d) any claim under such Identified Terramar Policy where the Submitting Terramar Policy Interest Holder has knowledge of such claim prior to the Terramar Notice Date; (3) barring any claim against Frontier pursuant to any Terramar Policy unless such Terramar Policy and the policyholder(s) of such Terramar Policy have been accurately and sufficiently identified in a timely Terramar Notice; (4) barring any claim against Frontier pursuant to any Terramar Policy where the Submitting Terramar Policy Interest Holder had knowledge concerning such claim prior to the Terramar Notice Date and did not submit a timely Terramar Notice setting forth the required information concerning such claim; (5) barring any claim against Frontier pursuant to any Terramar Policy by any person other than the Submitting Terramar Policy Interest Holder who submitted the Terramar Notice in connection with such Terramar Policy; (6) establishing a date certain as the last date ("Bond Bar Date") on which a notice ("Bond Notice") regarding any bond issued by Frontier, including any surety bond or other bond or guaranty identified in New York Insurance Law Sections 1113(16) or 6801 ("Bond"), may be filed with the Rehabilitator so as to preserve any obligation of Frontier pursuant to such Bond; (7) directing that any Bond Notice shall be made on forms prescribed by the Rehabilitator and shall accurately and sufficiently identify (a) the Bond pursuant to which it is alleged that Frontier has an obligation, (b) the default, event, accident, or occurrence allegedly giving rise to a claim pursuant to such Bond ("Triggering Event"), (c) the date of the Triggering Event, (d) the alleged injury, loss or damage caused by the Triggering Event, (e) the dollar amount of the claim alleged as a result of the Triggering Event, and (f) the obligee or principal under such Bond who, by submitting a Bond Notice, seeks to preserve such person's rights under the Bond ("Submitting Bond Interest Holder"); (8) barring any claim against Frontier pursuant to any Bond unless a timely Bond Notice has been submitted that accurately and sufficiently identifies the Bond, the claim alleged pursuant to such Bond, and all other information required by the Bond Notice; (9) barring any claim under any Bond in which the Triggering Event occurs after a date certain ("Bond Cutoff Date"); (10) barring any claim against Frontier pursuant to any Bond by any person other than the Submitting Bond Interest Holder who submitted the Bond Notice in connection with such Bond; (11) approving the form and manner of notice to be given to all persons with an interest in a Terramar Policy or a Bond and all other interested parties (collectively, "Interested Persons") regarding this Order to Show Cause, the Petition and the relief sought herein; (12) approving the form and manner of notice to be given to all Interested Persons regarding the Terramar Notice Date, the Bond Cutoff Date, the Bond Bar Date and all other relief ordered herein; and (13) for other related relief as is just.

The Petition will be submitted to the Court on October 9, 2009 ("Return Date"). If you wish to object to the Petition, you must serve a written affidavit or affirmation setting forth your objections and all supporting documentation ("Answering Papers") upon the Rehabilitator so as to be received by the Rehabilitator at least seven days prior to the Return Date, and by submitting copies of the Answering Papers, with affidavits of service on the Rehabilitator, to the Clerk, at the Courthouse, located at 16 Eagle Street, Albany, New York, on or before the Return Date. Service on the Rehabilitator shall be made by first class mail at the following address:

The Superintendent of Insurance of the State of New York as
Rehabilitator of Frontier Insurance Company
123 William Street
New York, New York 10038-3889
(Attention: Andrew J. Lorin, Esq. - General Counsel)

All Frontier policyholders and creditors and other interested parties are advised to review all available information and to protect their rights accordingly. The Liquidator has posted the Petition on its website, www.NYLB.org. In the event of any discrepancy between this notice and the documents submitted to Court, the submitted documents control.

KERRITT J. BROOKS, Acting Superintendent
of Insurance of the State of New York as
Rehabilitator of Frontier Insurance
Company

LEGAL NOTICE

IN THE MATTER OF AN INTENDED APPLICATION
IN THE HIGH COURT OF JUSTICE
OF ENGLAND AND WALES
CHANCERY DIVISION, COMPANIES COURT
IN THE MATTER OF
**TOKIO MARINE EUROPE
INSURANCE LIMITED ("TMEI")**
AND IN THE MATTER OF THE COMPANIES ACT 2006
PROPOSED SOLVENT SCHEME
OF ARRANGEMENTS FOR TMEI

This (the Scheme Company) intends to apply to the High Court of Justice at the Royal Courts of Justice, Strand, London WC2A 2LL, United Kingdom, for a court hearing (the "Court Hearing") to be held on or after the fourth day of 2009 for permission to convene a meeting of creditors (the "Creditors' Meeting") of the Scheme Company (Scheme Creditors) to consider and, if thought appropriate, approve (with or without modification) a scheme of arrangement (proposed to Part 26 of the Companies Act 2006) (the "Scheme"). The date, time and location of the Court Hearing will be confirmed on the website at www.TMEI.COM once known.

A copy of the Practice Statement letter dated 28 August 2009 which contains important information in relation to the Scheme, the composition of the Creditors' Meeting for voting on the Scheme and further information regarding the relevant Scheme business is available for download from the website at www.TMEI.COM. If you are unable to access this website and would like the Practice Statement letter sent to you, or if you have any queries (please contact PRG Insurance Solicitors Limited ("PRG") whose contact details are given below).

The Scheme will apply to certain insurance business, namely the Scheme Reinsurance Contracts written or assumed by TMEI, as described in the Scheme.

The Scheme will not cover:

- (i) liabilities arising from Aquatic, Engineering and Executive CAR Insurances or reinsurance, with policy reference numbers commencing 3500 within under Group T002;
- (ii) liabilities arising from the business assumed by TMEI as a participating company in the Partner Statement Letter sent to you, or if you have any queries (please contact PRG Insurance Solicitors Limited ("PRG") whose contact details are given below);
- (iii) liabilities other than in respect of Scheme Reinsurance Contracts;
- (iv) liabilities in respect of UK compulsory insurance.

TMEI has taken account of recent decisions of the High Court in determining the appropriate constitution of its Creditors' Meeting. It has concluded that a single meeting of its Scheme Creditors should be held to consider and, if thought appropriate, approve the Scheme. Potential Scheme Creditors who wish to raise queries are requested to notify PRG in writing using the contact details below, as soon as possible and in any event no later than seven days prior to the date of the Court Hearing.

Scheme Creditors have the right to attend the Court Hearing for the purpose of making representations (although they should take legal advice on the issues which arise for consideration at the Hearing).

Contact details:
PRG TMEI c/o PRG Insurance Solicitors Limited, Union Court, Union Square, Winchester EC1 3UB, United Kingdom, advised by the attention of Philip Toft
Email: prg_tmei@prg-ltd.com
Helpline Tel: +44 (0)1452 782 449
Fax: +44 (0)1452 513 437 (contact on the attention of Philip Toft)

Further information regarding the Scheme, the Court Hearing and other matters and the TMEI business subject to the Scheme is available on the website at www.TMEI.COM. If you are unable to access this website and would like details sent to you by alternative means, or if you have any other queries, please contact the TMEI Scheme helpline on +44 (0)1452 782 449.
28 August 2009

HELP WANTED

OKLAHOMA STATE AND EDUCATION EMPLOYEES GROUP INSURANCE BOARD

The Board is seeking candidates for
The position of:
ADMINISTRATOR
who serves as
CHIEF OPERATING OFFICER

of a state agency with 180 employees serving 180,000 insured members, and receiving more than 800 million in premiums annually for health, dental, life and disability insurance coverage. Administrator must be able to interact with constituent groups as well as legislative and regulatory bodies. Salary up to \$116,500 depending on qualifications, plus state benefits package including retirement and insurance. Additional information may be found at www.sib.ok.gov/administrator. Application deadline is September 14, 2009.

Send resume and salary history to:
jobs@sib.ok.gov

HELP WANTED

The Claims and Insurance Department of Boston Medical Center has an opening for the **DIRECTOR OF CLAIMS**. A Bachelor's degree and experience in medical professional liability insurance is required.

Please forward resume to:
Edward Christiansen, Vice President
Boston Medical Center
One Boston Medical Center Place
Gambro 2, Boston, MA 02118
by fax (617) 414 5582
or email: ed.christiansen@bmc.org



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UP Comings & Goings CLOSE



STEPHEN FITZPATRICK

NEW JOB TITLE: New York-based president of the Americas division for QBE Specialty Insurance, a subsidiary of Sydney, Australia-based QBE Insurance Group Ltd.

PREVIOUS POSITION: Itasca, Ill.-based senior vp for QBE's special lines and affinity group business

GOALS FOR NEW POSITION: To establish QBE as the leading writer of specialty programs in the United States and, at the same time, produce meaningful returns for our shareholders. That's our first and foremost goal: to make QBE the No. 1 writer in the specialty program business.

CHALLENGES FACING INDUSTRY: I think there are both short-term and long-term challenges. On the short-term side, managing our way through a depressed economy with depressed investment returns in a very competitive market environment is a challenge that the industry needs to overcome. I think in the long term, our challenge in the industry is to attract new capital in the face of what I think will be increased capital requirements. If you compare the performance of

the insurance industry to other industries, I think it has lagged behind in terms of return on equity. I think we have increased demands on capital going forward. To attract new capital will be challenging.

INDUSTRY OUTLOOK: I think the industry cycle is poised to return...At the same time, I think that given the fact that investment returns, as low as they are, probably at an all-time low, I think companies have to dedicate themselves to making underwriting profits. I think that will facilitate market returns.

FIRST EXPERIENCE IN JOB MARKET: I was teaching history at Loyola University in Chicago and I was having a hard time finding a full-time teaching position. I needed to find something that had a consistent income, so I found an ad...for an underwriting trainee at Allstate (Insurance Co.)...When the manager asked me what I knew about underwriting, I said "nothing." He said, "good, that was one of the prerequisites for the job." Then he put me to work right away...It was great experience for me, and my ride in the insurance business has been a good one since.

Comings & Goings

ONLINE

VISIT www.businessinsurance.com/ComingsandGoings for a full list of this week's personnel moves and promotions. Check our Web site daily for additional postings and sign up for the weekly e-mail.

TO SUBMIT ITEMS

Business Insurance would like to report on senior-level changes at commercial insurance companies and service providers. Please send news and photos of recently promoted, hired or appointed senior-level executives to:

Allison Martinat
Business Insurance
360 N. Michigan Ave.
Chicago, Ill. 60601-3806
amartinat@businessinsurance.com

POSTING THIS WEEK

- BROKERS:**
- Wortham Insurance & Risk Management
 - Plexus Groupe L.L.C.
 - Willis Group Holdings Ltd.
- INSURERS:**
- XL Insurance
 - Zurich North America Commercial
- OTHER PROVIDERS:**
- Aon Consulting Worldwide

Market Moves

Willis picked as broker for Hong Kong rail project

HONG KONG—London-based Willis Group Holdings Ltd. has been chosen as the broker for the largest rail construction project ever in Hong Kong, the firm announced recently.

MTR Corp. Ltd., the operator of Hong Kong's rapid transit railway system, will build the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, which will link Hong Kong to mainland China by high-speed rail. According to a statement, Willis will use the local market to place a wrap-up owner-controlled workers compensation policy and will use the local and global markets to place a construction all-risk and third-party liability policy for the project, which is scheduled to be completed in 2016.

Trains on the Hong Kong section are expected to operate at speeds of up to 200 kilometers per hour. Willis also is the broker for MTR's operational program and a \$1.3 billion extension started in 2008.

Ascension buys Atlanta-based agency

ATLANTA, Ga.—Property/casualty insurance and employee benefits agency Ascension Insurance Inc. has acquired Atlanta-based Haas & Dodd Insurance Inc., the companies have announced.

Haas & Dodd offers property/casualty insurance, employee benefits, workers compensation, professional liability and bonds. The acquisition expands the Atlanta-area reach of Kansas City, Mo.-based Ascension, which provides brokering and risk management services to middle-market companies nationwide. The firm also acquired Atlanta-based Bryant Wharton in January 2008.

The merger took effect July 1.

M Benefit Solutions adds SilverStone as adviser

OMAHA, Neb.—M Benefit Solutions has added insurer SilverStone Group Inc. as a community bank adviser firm, the company

recently announced.

M Benefit Solutions-Bank Strategies, a unit of Portland, Ore.-based M Financial Group, provides executive and director benefit-planning services to community banks through adviser firms. Omaha, Neb.-based SilverStone, which offers risk management and employee benefits to businesses, will help expand the firm's presence in the market for bank-owned life insurance, which can be used to offset the costs of employee and ERISA benefits, the company said in a statement.

MedInsights partners with myMatrixx

TAMPA, FLA.—MedInsights Inc., a

workers compensation managed care services provider, has formed a strategic partnership with pharmacy management solutions provider myMatrixx, the two companies recently announced.

Tampa, Fla.-based myMatrixx provides a Web portal with real-time data from the start of a claim through billing. Company officials said in a statement that the technology will help MedInsights use its patient data and case management abilities to help employees return to work faster and lower the cost of workers compensation claims—reducing call volume and improving the productivity of adjusters, call centers and case managers.

Franklin, Tenn.-based MedIn-

sights is a managed care subsidiary of GAB Robins North America Inc. that provides workers comp cost-savings services for insurers and self-insured entities.

Argo Group US adds new unit

HAMILTON, Bermuda—Specialty underwriter Argo Group US has added a program and product development unit, the company recently announced.

Argo Group, a unit of Hamilton, Bermuda-based Argo Group International Holdings Ltd., provides commercial insurance for firms involved in hospitality, specialty retail, mining, independent grocers, public entities and

other areas.

The new unit is looking to partner with established, preferably regional program administrators in the continental U.S., officials said in a statement. Programs are subject to an annual minimum premium of \$7.5 million, the statement said.

TO SUBMIT ITEMS

BI's Market Moves column reports on activities by insurance industry companies and related entities. Please send news of Market Moves to Zack Phillips, 711 Third Ave., New York, N.Y. 10017 or e-mail zphillips@businessinsurance.com.

Upcoming Business Insurance Events



Business Insurance will honor the **2009 European Risk Manager of the Year®** during the **FERMA's Risk Management Forum 2009**

Tuesday October 6, 2009
12pm | Prague, Czech Republic



Our awards event, to honor the 2009 winners, will be hosted **October 13 in NYC**



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CHICAGO
NOVEMBER 2009



December 8, 2009 | Chicago, IL



For sponsorship and attendee information, please contact **Becky Briggs**, Event Manager at **212-210-0132** or RBriggs@BusinessInsurance.com

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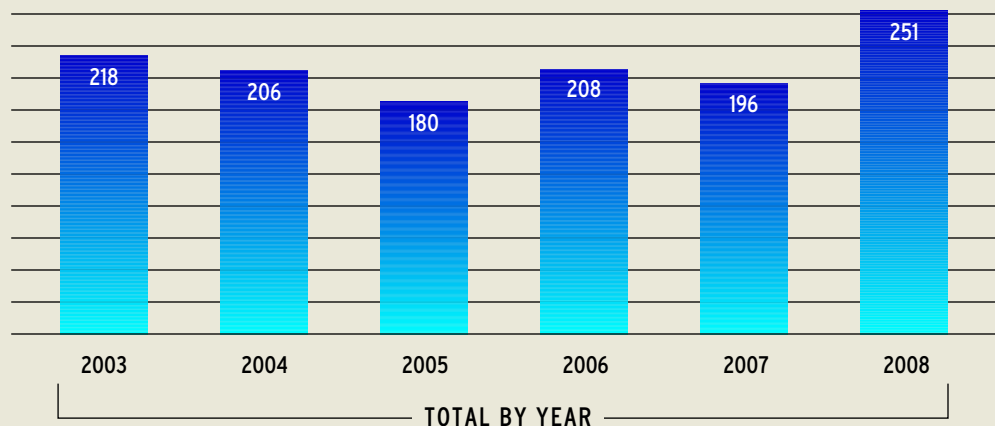
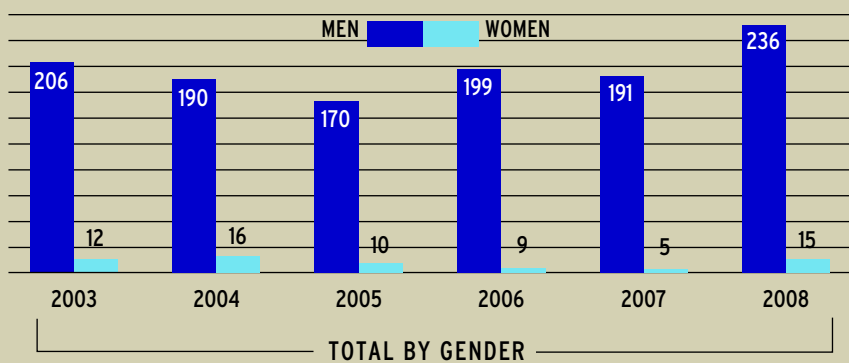
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WORKPLACE SUICIDE STATISTICS

Fatal occupational injuries, self-inflicted, by selected characteristics, 2003-2008



BY AGE

AGE	2003	2004	2005	2006	2007	2008
18 to 19 years	3	3	---	4	4	4
20 to 24 years	18	13	12	14	8	16
25 to 34 years	30	25	36	30	24	30
35 to 44 years	61	55	44	53	47	55
45 to 54 years	54	58	50	59	72	90
55 to 64 years	42	33	30	32	29	38
65 and over	10	18	6	16	11	18

Source: U.S. Department of Labor

Suicide: Observers say working with EAPs is crucial to save employees

CONTINUED FROM PAGE 1

Those who commit suicide at work may have felt significant stress from their increased work load as well as worries about job security, say observers.

The general economic environment can cause problems as well. "They're financially strained," said Richard Chaifetz, chairman and chief executive officer of Chicago-based CompPsych Corp., an EAP provider.

"A lot of people are having relationship problems, which tend to get exacerbated" in a financial crisis. People also are concerned about their retirement, as they see their 401(k) assets drop, among other factors, he said.

The fact that a suicide occurs at work may or may not be significant, say observers. "In many cases, if you're choosing to do it here, you're choosing to send a message to your co-workers and your employers," said Dr. Chaifetz.

Or, "it could be they just don't want to do it at home" where a family member would find them, said Bob VandePol, president of Grand Rapids, Mich.-based Crisis Care Network Inc., which provides critical incident response services for work places.

Having a corporate culture that encourages employees to seek help is crucial, observers say. "We create a culture where people feel very cared for, respected, communicated with," said Ms. Zoucha of Assurity Life.

Rich Paul, vp of health and performance solutions at Norfolk, Va.-based ValueOptions Inc., an EAP provider, said employers should implement a suicide prevention program. But, it "has to come from the top down in terms of reinforcing a supportive work environment, communicating and reinforcing the resources that are available to people who are feeling overwhelmed, or

feeling that level of distress," he said.

"One of the most tragic things about suicide is more often than not" those who commit it have "not sought any type of counseling support before," he said. "We should encourage employees to take advantage of the resources available to address stress before it escalates to this tragic level."

At Turtle Bay Exploration Park in Redding, Calif., workers who are perceived to have problems are immediately told of its free EAP ser-

vices, said human resources officer Jacque Holden at the educational and entertainment complex, who works with San Diego-based ACI Specialty Benefits Corp., Turtle Bay's EAP provider.

"We're spending more time educating managers on how to intervene with a troubled employee," said ACI CEO Ann D. Clark. "We're offering more seminars on coping with stress, whether it's financial stress or emotional stress," she said. Sometimes financial counselors will

refer workers to mental health counseling after talking with them.

Employers also should train managers and workers to recognize the signs of a potential suicide risk. At Assurity Life, supervisors are trained "to know all of the resources of our EAP and some of the red flags to look for," including employees who have personal or performance issues, said Ms. Zoucha.

Giving away personal belongings, cashing out a 401(k) plan or making significant benefit changes are signs

someone may be considering suicide, said Mr. Paul of ValueOptions.

Employees who are working more slowly, have trouble getting along with co-workers, are missing work, or are irritable may be showing signs of mental health issues, and managers should suggest they seek help from their EAP, said Dr. Chaifetz.

In addition, "most people who commit suicide talk about it beforehand. They don't keep it a secret," said CIGNA's Dr. Nemecek.

If there is a suicide, also crucial is helping surviving co-workers who may feel guilt over the incident. A worker killed in a plane crash will be memorialized, but if a worker commits suicide, surviving co-workers often are left facing an empty cubicle, said Heidi Bryan, executive director of the Radnor, Pa.-based Feeling Blue Suicide Prevention Council. "A lot of times, companies do nothing, and that's not acceptable."

"That's a traumatic event that can really have a serious impact on the people who are left," said Oliver Williams, clinical director at Chicago-based EAP provider Bensinger, DuPont & Associates.

It is important for the employer "to have somebody come out and do a formal, critical incident stress management session with the surviving employees," he said. "I think people really need to have a space where they could talk their feelings through," Mr. Williams said.

After a suicide, companies are faced with continuing their business and "really helping people cope" with what has happened, said Kristine Brennan, executive director of Continuum-Employee Assistance, Training, Consulting, a Lincoln, Neb.-based EAP provider.

Not leaving people to "just manage it on their own whatever way they can" pays dividends for the company. "It bonds them. There is an increased loyalty and appreciation for the company," she said.

Claims relating to suicide in the workplace governed by workers comp, experts say

Suicide generally is not a liability issue for employers, even if it is committed in the workplace, observers say.

Lawsuits in this area tend to be funneled into the workers compensation system, they say. Workers comp exclusivity provisions "by and large control" claims relating to suicide, said employment attorney Brian T. Ashe, a partner with Seyfarth Shaw L.L.P. in San Francisco.

And even in the workers comp system, "It's not a claim that we see very often," said Michael S. Brenton, a workers comp defense attorney with Murphy, Brenton & Spagnuolo P.C. in East Lansing, Mich.

There is "typically a fairly challenging proof burden for the plaintiff," who could be a representative or a dependent of the employee, when there is a suicide claim, said Mr. Brenton. "Just like any other workers compensation case, it becomes very heavily dependent on what the facts are deemed to be" by the magistrate or administrative law judge, he said.

But with suicides, it can be challenging "to reconstruct what may have been going through the employee's mind at the time of the suicide," said Mr. Brenton. In the final analysis, the claim "must

have some foundation in verifiable fact."

Keith Bateman, vp of workers compensation at the Des Plaines, Ill.-based Property Casualty Insurers Assn. of America, said a number of states "deny compensation if you intentionally injure yourself."

Florida's workers compensation statute, for instance, states compensation is not payable if the injury was "occasioned primarily...by the willful intention of the employee to injure or kill himself, herself or another," said David A. McCranie, an Orange, Fla.-based independent workers comp defense attorney.

Experts say one exception to collecting workers compensation benefits after a suicide could occur if it comes after an injury that caused excruciating pain. In a 2008 decision, for instance, the Nevada Supreme Court ruled in *Sharon Vredenburg vs. Sedgwick CMS and Flamingo Hilton-Laughlin* that the widow of a bartender who committed suicide after he experienced unrelenting pain from a back injury suffered at work could collect compensation (*BL*, Aug. 3, 2008).

Jurisdictions differ, however, on the proof needed in these cases, Mr. Bateman said.

—By Judy Greenwald

Energy: Firms drop cover, cross fingers

CONTINUED FROM PAGE 1

vices Ltd.

Chris Pluchino, Houston-based vp of U.S. exploration and production at Liberty International Underwriters, a unit of Liberty Mutual Group Inc., said about 20% of its clients opted to self-insure.

Earlier this year, some offshore risk managers and brokers had come to market early, fearing scarce underwriting capacity could be exhausted before renewal season ended. Instead, much of that capacity went unused. Lloyd's of London recently reported it sold only 60% of its 2009 offshore capacity for the Gulf, Mr. Keely said.

More self-insuring means less premium for underwriters. While rates went up 60%, premium intake increased only 30%, Mr. Pluchino said. But hopes that the reduced premium income would prompt insurers with income targets to offer more favorable deals later in the Gulf's renewal season proved largely misguided, said Tim Culhane, London-based executive director of Willis Energy, a unit of Willis Group Holdings Ltd.

That is in part because many offshore energy underwriters changed the way they bought reinsurance this year, observers say. Many energy underwriters bought less reinsurance in 2009 and secured deals that allow reinsurance premiums to adjust based on direct premium income earned, Mr. Keely said. And many offshore energy underwriters this year bought quota-share reinsurance instead of excess-of-loss reinsurance, Messrs. Keely and Culhane said. Under quota-share reinsurance, in which losses are shared between insurer and reinsurer, underwriters do not make as large of an initial deposit, so they feel less pressure to earn a certain level of income from direct premiums to pay for the reinsurance they already have purchased.

Still, Mr. Culhane said underwriters have annual income targets, and the decrease in premium income

earned from the Gulf of Mexico may exert some pressure on underwriters to make up the income in other areas of business. The offshore market outside the Gulf of Mexico has seen a slight decrease in the size of rate increases sought since the beginning of the year, in part because of this phenomenon, he said.

But less premium means less exposure, and that's a tradeoff underwriters are willing to make, Mr. Pluchino said.

"Although less exposure does generate less available premium, that's something we can manage," he said. "We're willing to live with that so long as we're selecting the right risks."

Lower exposure in idle iron

One area where offshore energy underwriters dramatically reduced their exposure was "idle iron"—low- or nonproducing platforms and rigs in the Gulf of Mexico that are near the end of their use. Hurricane Ike in 2008 toppled many such platforms, creating significant claims—even though the facilities had little value before the storm—because the cost of plugging and abandoning a toppled well is much more expensive than for an upright one.

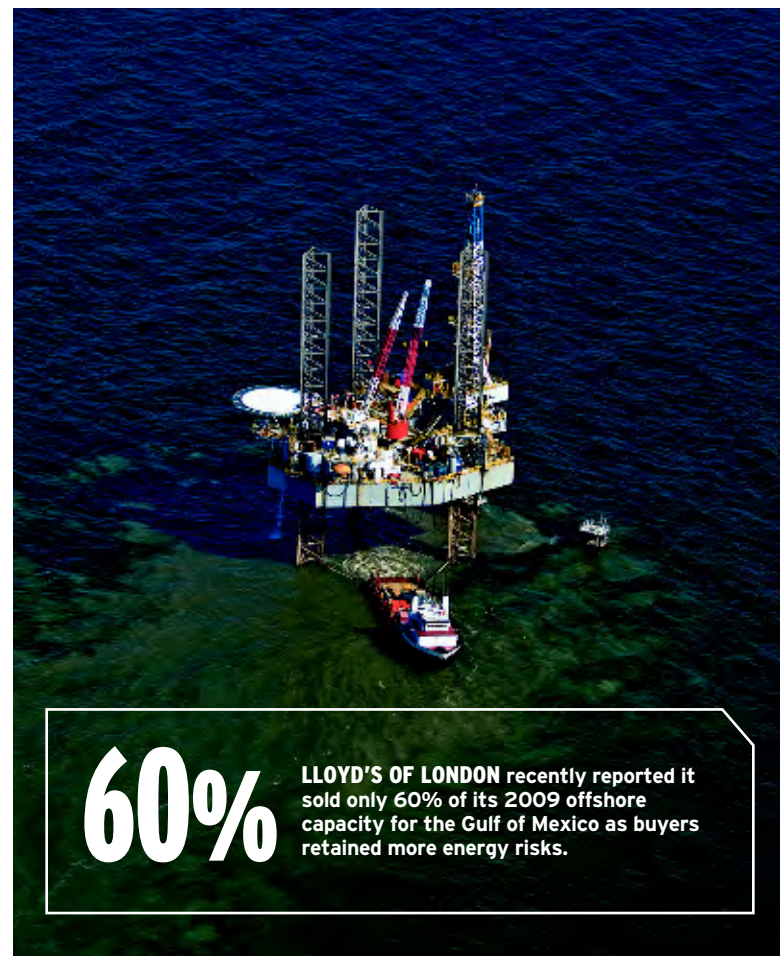
Before Ike, companies could buy broad coverage for such platforms and rigs relatively cheaply; this year, underwriters dramatically increased rates and retentions for such coverage, or simply refused to offer it. As a result, many offshore energy companies chose not to insure certain assets, and some have begun the expensive process of decommissioning the obsolete facilities, in hopes of avoiding the more expensive process of cleaning up an active well toppled by a hurricane, Mr. Keely said.

After \$3 billion in offshore losses from Hurricane Ike in 2008, some observers said earlier this year that the Gulf of Mexico windstorm market was at risk of collapsing if the underwriting model was not

changed. But the changes instituted this year have yet to be tested, Mr. Culhane said, and if a major hurricane hits this year, capital providers may leave the Gulf of Mexico windstorm market altogether.

These conditions may herald the rise of more mutuals for windstorm cover, he said, although no new ones have yet emerged. Marsh & McLennan Cos. Inc. and Berkshire Hathaway Inc. launched a \$500 million insurance pool earlier this year but later canceled it. Bermuda-based OIL Insurance Ltd., the long-established energy industry insurance mutual, is one of the reasons larger energy companies could afford to forego windstorm cover in the Gulf this year, observers say.

Windstorm insurance "is not only phenomenally expensive, it also may not be (available) in the future," Mr. Culhane said. "In the Gulf of Mexico, we don't think there's going to be a bad hurricane every year but there isn't really a method of storing some of that profit for a rainy day because (insurers) release all that profit to their shareholders."



60%

LLOYD'S OF LONDON recently reported it sold only 60% of its 2009 offshore capacity for the Gulf of Mexico as buyers retained more energy risks.

Q&A: Starr International chief seeks to grow book

CONTINUED FROM PAGE 4

build through aggressive pricing. We want to build something that will last and provide a good underwriting result.

Q: Which business areas are particularly attractive?

We have the ability to handle business all around the world, so we have a pretty good, solid foundation to build on. For example, we're able to write aviation, marine, property and casualty. We're looking to grow accident and health, financial lines, casualty excess, construction and energy, environmental, crisis management and program business. That's an array where we currently perceive there is opportunity

for us.

On casualty excess, we see opportunities all around the world, especially where there is a significant need for quality capacity. Accident and health is not so much a capacity play; it's more about product design and quality of service. If we are considering a particular opportunity, if the pricing is overly competitive, we will search for other opportunities where we can differentiate ourselves. We believe there will always be a place for quality underwriting.

Personally, I am really excited about the opportunity. It's great to be building something again. There's a lot of work to be done, but it's a great group of people here who have formed a great group of companies.

Hinshaw's Fifth Annual Insurance Services Symposium

Oh no, they didn't...

2009's
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Thursday, October 22, 2009
9:00 a.m. – 4:00 p.m.

Chicago Marriott Downtown
Magnificent Mile

Registration begins at 8:00 a.m.

Symposium Topics Include:

- ★ **One Occurrence Becomes Two:** *Addison Insurance Co. v. Fay*
- ★ **A Legislature Sets the Standards:** *The Texas Quick Pay Statute – Where Did it Come From? Will it Spread?*
- ★ **The "No Prejudice" Standard Fades Into the Sunset:** *Prodigy Communications Corp. v. Agricultural Excess & Surplus Insurance Company and New York Marine & General Ins. Co. v. Lafarge North America*
- ★ **The Reasonable Insured Leaves the Building:** *Executive Risk Indemnity Inc. v. Pepper Hamilton*
- ★ **The "American Rule" at Risk:** *Reliastar Life Insurance Company of New York v. EMC National Life Co.*
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Kennedy leaves legacy in health care reform

Colleagues, observers look back on his accomplishments

By JERRY GEISEL

WASHINGTON—With his death last week after a long battle with brain cancer, Sen. Edward Kennedy leaves a legacy on legislative accomplishments in the health care field that perhaps no federal lawmaker can match.

His accomplishments go back to the late 1970s, when he was a driving force behind legislation passed in 1978 requiring group health care plans to provide equitable coverage for childbirth.

In 1996, the Democratic senator from Massachusetts brokered a deal with Senate Republicans that paved the way for passage of legislation curbing the ability of health care plans to deny coverage of new employees' pre-existing medical conditions, a change that enabled employees to change jobs without fear that they will lose coverage for current health problems.

In 1997, he teamed up with Orrin Hatch, the ultra-conservative Republican senator from Utah, to win approval of legislation setting up and providing funding for a program that provides health insurance coverage to millions of children from lower-income families.

And his decision to bring in employers, insurers and mental health professionals to work together and support a compromise on a mental health care benefits parity bill led to approval last year of a measure mandating equitable coverage of mental health disorders, ending decades of plan design discrimination.

"He has left a hugely important legacy in employee benefits," said Randy Abbott, a senior consultant with Watson Wyatt Worldwide in



Sen. Edward Kennedy speaks at the New England regional office on new immigration law on Nov. 4, 1966, in Boston.

AP PHOTO

'He was a master of finding areas of common ground. That is something called "political genius."

Helen Darling,
National Business Group on Health

Wellesley Hills, Mass.

"It is hard to think of any health care issue in which he did not bring to bear his imprimatur to some degree," said Neil Trautwein, vp and employee benefits counsel with the National Retail Federation in Washington.

Sen. Kennedy's interest in health care coverage issues was fueled, observers say, by his desire to help the disadvantaged.

"He cared about children, the poor and the disadvantaged," said

Helen Darling, president of the National Business Group on Health in Washington.

"He had tremendous empathy for those in need," Mr. Abbott said.

Sen. Kennedy combined that empathy with a skilled legislative hand, chiefly the ability to negotiate with members across the aisle.

"He was a master of finding areas of common ground. That is something called 'political genius,'" Ms. Darling said.

A key example of his negotiating skills involved the 1996 portability legislation. The legislation was stalled until Sen. Kennedy agreed to accept a provision advanced by Republicans to allow employers to set up medical savings accounts, the predecessor to health savings accounts.

"He knew how to compromise and bridge differences," Mr. Trautwein said.

"He understood that you can't get things done in the Senate unless

you are willing to work across the aisle," Ms. Darling said.

Sen. Kennedy's success in winning passage of legislation also was aided by recruitment of top staffers, who remained with him for many years.

"His staff members stayed a long time, and that certainly helped over the years," said Janet Trautwein, the CEO of the National Assn. of Health Underwriters in Arlington, Va.

But Sen. Kennedy was not dependent on staff.

"He made himself into an expert in a lot of areas. He soaked up knowledge, and that gives you a great advantage if you are a good spokesman and a master of" technical issues, said Frank Cummings, a one-time aide to the late Sen. Jacob Javits, R-N.Y., and later a longtime pension attorney in Washington.

His ability to master issues came in no small part from seeking out experts and then listening very carefully to what they said.

Ms. Trautwein recalls a meeting in which she and about 20 other people met with Sen. Kennedy to discuss the children's health insurance legislation.

"Each person spoke for a few minutes with no remarks provided in advance. He listened intently and asked questions of each speaker. He heard what they were saying. What happened that day changed my opinion of him, and I came to respect him very much," despite disagreement on some issues, Ms. Trautwein said.

While Sen. Kennedy's political passion was the enactment of universal health insurance coverage legislation, he also was a pragmatist and was willing to work to achieve smaller, yet significant, health care reforms, such as the portability and mental health care benefits parity measures.

"He truly understood that progress came in small rather than giant steps," Mr. Trautwein said.



Sen. Kennedy presides over a hearing on health care reform on June 9.

AP PHOTO

A LIFE IN EMPLOYEE BENEFITS

A timeline of Sen. Edward Kennedy's involvement in employee benefits legislation

1978: Is a driving force behind passage of the Pregnancy Discrimination Act, which requires group health care plans to provide the same coverage for maternity care as for other medical conditions.

1983: Begins the drive in Congress to require employers to reduce pension plan vesting requirements by introducing legislation to let employees vest after five years of service.

1987: Introduces legislation to require employers to offer health care plans meeting minimum federal standards.

1996: Works with Senate Republicans to broker deal leading to passage of the Health Insurance Portability and Accountability Act, curbing pre-existing medical condition exclusions in group health care plans.

1997: Teams with Sen. Orrin Hatch to win passage of legislation creating the State Children's Health Insurance Program to provide coverage for millions of children in lower-income families.

2008: Congress passes mental health care benefits parity legislation, a longtime objective of Sen. Kennedy. Passage largely due to his effort to bring interest groups together to hammer out a compromise bill.

2009: Introduces sweeping health care reform legislation to move the United States closer to universal coverage.

Sen. Kennedy's Staff Assistant Henry Sanford answers calls after the senator's death.



BOSTON GLOBE/LANDOV

Kennedy: Senator's absence may stifle reform efforts

CONTINUED FROM PAGE 1

cally "centrist," achievable bill, said Neil Trautwein, vp and employee benefits counsel with the National Retail Federation in Washington.

When legislators return to Washington after the August recess and resume their work on the reform legislation, the impact of his death will continue to be felt, Ms. Darling said.

"When an issue is so politicized, losing one person who can reach over to compromise" obviously will have an impact, Ms. Darling said. "His knowledge and interest would have been so important. It is a huge loss in so many ways," she said.

His death also means Senate Democratic leaders have one fewer vote to break a potential filibuster when the legislation reaches the Senate floor.

"This is a place where every vote counts," Ms. Darling said.

Under Senate rules, 60 votes are

needed to break a filibuster. With Sen. Kennedy's death, the Senate has 57 Democrats, 40 Republicans and two independents—Sens. Bernie Sanders of Vermont and Joe Lieberman of Connecticut—who generally vote with Democrats.

Under Massachusetts law, a special election to fill Sen. Kennedy's seat can't be held for several months. Massachusetts Gov. Deval Patrick said last week in a radio interview that he would sign legislation to change state law to make an interim appointment to fill the vacant seat until the special election, but the chances of such a proposal winning approval from Massachusetts legislators aren't clear.

Some say the loss of one vote, at this point, is largely irrelevant. "Right now (supporters of reform legislation) aren't" even close to having 60 votes, said Chantel Sheaks, a principal with Buck Consultants L.L.C. in Washington.

'Legislators are not going to cast votes on something that' is 16% of the economy on the basis of emotion.

James Klein,
American Benefits Council

Some observers say Sen. Kennedy's death could provide an emotional jolt to legislators to try to work more closely to find an acceptable compromise.

But others say, while such a lift is possible, it likely would be ephemeral. "Certainly, there will be an emotional plea to do it for Ted. But that feeling" likely would not last very long, said Randy Abbott, a senior

consultant with Watson Wyatt Worldwide in Wellesley Hills, Mass.

"Legislators are not going to cast votes on something that" is 16% of the economy on the basis of emotion, said James Klein, president of the American Benefits Council in Washington.

While Sen. Kennedy's loss is a huge one, the Senate has other skilled political negotiators, Mr. Klein said.

During the past two months, much attention has focused on the efforts of Sen. Max Baucus, D-Mont., the chairman of the Senate Finance Committee—the only congressional panel with jurisdiction on health care issues that has not voted on the reform legislation—to produce a bill that will attract at least some Republican support.

"The focus will be on Sen. Baucus," said Janet Trautwein, CEO of the National Assn. of Health Underwriters in Arlington, Va.

Bernanke: Advocates praise nod

CONTINUED FROM PAGE 4

"Reappointing Ben Bernanke as Fed chairman is a smart choice," J. Stephen Zielezienski, senior vp and general counsel of the Washington-based American Insurance Assn., said in an e-mail. "He has performed admirably during this financial crisis and has a sincere appreciation for the important role property/casualty insurance plays in the broader financial services arena."

'The decision to reappoint Chairman Bernanke indicates that the president's seeking consistency as the economy recovers.'

Jimi Grande,
National Assn. of Mutual Insurance Cos.

The welcome also was extended by insurance industry groups opposed to the OFC concept.

"The decision to reappoint Chairman Bernanke indicates that the president's seeking consistency as the economy recovers," said Jimi Grande, vp in the Washington office of the National Assn. of Mutual Insurance Cos. "It also likely signals that the president doesn't intend to retool all of his plans for reform of the financial services sector. From the insurers' perspective, this is good news as the White House has already correctly concluded that the property/casualty insurers didn't play a role in the financial crisis and does not represent a regulatory gap that needs to be addressed in Washington."



Comp: Premiums down as payrolls shrink

CONTINUED FROM PAGE 3

drop in volume, experts say. But rate cuts are leveling off.

"We are still seeing some decreases (in rates) but the decreases are ebbing a little bit," Mr. Miraval said.

Overall, workers comp remains a profitable line of business, and rate decreases have been a bigger factor than job losses in pushing down written premiums, according to Rich Marko, senior vp and manager of commercial strategic services at Liberty Mutual Group Inc. in Boston.

But others say job losses are having a significant impact.

"Definitely, the economic situation has impacted employment, and as a result...top-line premium has been down," said Robert S. Cubbin, chief executive officer of Southfield, Mich.-based Meadowbrook Insurance Group Inc.

The extent of individual insurers' loss of premium, however, will depend on the industries and employer size they focus on, Mr. Cubbin added.

In some cases, particularly in sectors that have seen severe job cuts, such as the auto industry, insurers have pushed through rate increases, said Pam Ferrandino, executive vp and casualty practice leader for

Willis HRH in New York.

"As payrolls are shrinking we are seeing carriers sometimes needing to get a little more rate just to make sure they are covering the expenses," she said.

And efforts to raise rates vary by region. For example, the Workers' Compensation Insurance Rating Bureau of California on Aug. 12 recommended a 22.8% rate increase. Eight days later NCCI Holdings Inc. recommended a 6.8% decrease for Florida risks.

Other factors also are keeping a lid on rate increases, experts say.

For example, the effects of reform efforts during the past several years

in some key states, including California, Florida and New York, still are being felt.

And as fewer people are working, fewer on-the-job accidents are occurring.

In one sign of falling frequency, the Bureau of Labor Statistics reported last month that a 1% decrease in average hours worked during 2008 helped reduce fatal injuries to 5,071, down from 5,657 in 2007.

A recession-driven reduction in accident frequency could help insurer profitability by offsetting declining premium volume, said Mr. Cubbin.

"I wouldn't say it's offsetting it 100% and I wouldn't say it's having as major of an impact in some (hard-hit) sectors like contracting and manufacturing," he added.

And the reduction in frequency is partially offset by an increase in medical costs, with medical cost inflation still significantly outpacing general inflation rates, sources say.

In addition, some insurers are maintaining profitability levels through reserve releases.

"We are concerned that they are prematurely releasing loss reserves in order to enhance or drive current-year results," said Mr. McLean of Best.

"If you do that, it reduces your cushion for potential profitability going forward," he said.

Reserve releases also could squeeze insurers' ability to compete aggressively for business as they are forced to be "more correct going forward" in their pricing, Mr. McLean said.

But insurers are releasing reserves because their results have proved better than they estimated when they originally set reserve levels and not because they want to contribute to current-year revenue, said Mr. Marko of Liberty Mutual.

Insurers may be justified in reducing their reserves in some cases where claims losses have been less severe than expected, said Mr. McLean. But Best would prefer a more conservative approach given the potential long-tail liability associated with workers comp claims, he said.

AIG: Shares jump after news of change in strategy

CONTINUED FROM PAGE 3

cial analyst at Oldwick, N.J.-based A.M. Best Co., said, "The price of the stock really doesn't have a direct impact on the policyholder." However, its improved pricing "does reflect some optimism in the market regarding the future prospects of the company."

Mark Rouck, Chicago-based senior director at Fitch Ratings, said, "I don't think it has a significant effect on the policyholders."

"To the extent that an increase in their share price means that investors are viewing the company's prospects better, I think that would be good from a policyholder perspective," Mr. Rouck said.

However, he said, the cash flow

generated from selling assets will not be going to AIG's operating companies.

John L. Ward, CEO of insurer advisory firm Cincinnati-based Cincinnati Partners L.L.C., said the surge in stock price is "pure speculation."

"The federal government has got to be paid the \$180 billion first, and only to the extent there's value remaining after that" will the shareholders benefit.

Mr. Ward added that, while the stock price surge is "largely neutral" for policyholders, a possible delay in an initial public offering or sale process for Chartis is a positive because it gives AIG more time to develop a long-term solution.

Highlands: Scheme resolves dispute

CONTINUED FROM PAGE 4

be until the process gets under way.

"The proof is in the pudding. Our view is that the U.K. scheme should value our clients' claims the way a U.S. court would. And, if Highlands U.K. values them fairly, then this will be a success," said Ben Lenhart, partner with Covington & Burling L.L.P. in Washington, whose firm represents more than a dozen U.S.-based Fortune 500 companies submitting claims.

"We'll have to see how this plays out. But at least policyholders will be getting some compensation out of an otherwise dying company," said Mark Keenan, a partner with Anderson Kill & Olick P.C. in New York.

But schemes raise other issues, and observers say the cutoff dates imposed in the agreements can be unfair to policyholders with long-

tail liability claims. The Highlands scheme is expected to produce some long-tail claims, particularly asbestos-related claims, Mr. Schwarzmans said.

"The scheme forces policyholders to try to estimate what the future liabilities will be, and that's often contentious. Again, our concern with these claims will be valuation," said Mr. Lenhart said.

If a policyholder's claim is disputed, it will be forwarded to an independent expert who will determine its value, and the decision will be binding, said Mr. Schwarzmans. However, he said "we expect to come to an agreement with policyholders. We think they will be pleased."

The agreement also settles a long-standing reinsurance claims dispute between Highlands U.K. and its ultimate parent, Lawrenceville, N.J.-

based Highlands Insurance Group Inc., which had been subject to bankruptcy proceedings since 2002. The dispute stemmed from portfolio transfers between the two units from 1986 through 1988, said Philip Hertz, partner with Clifford Chance L.L.P. in London and counsel to PwC.

Administrators were able to secure Chapter 15 approval for the scheme of arrangement, under the U.S. Bankruptcy Code, which ultimately binds U.S. and U.K. creditors to the agreement, said Mr. Hertz. As a result, policyholders are prohibited from taking action against Highlands U.S., and all claims will be dealt with through the arrangement, he said.

In addition, Highlands U.S. will pay \$13 million to Highlands U.K. as part of a settlement agreement, PwC said.

News In Brief

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insurance securitization and make recommendations on common standards for supervising risk transfer to the capital markets by 2011. In a report issued this week, the Basel, Switzerland-based IAIS, which represents the insurance regulators and supervisors of 190 jurisdictions, said regulatory developments addressing insurance securitization so far have followed national policies, "resulting in a variety of dissimilar approaches." However, due to the markets' growth and global implications, greater consistency in supervising securitized risk is necessary, the report said.

Workers comp benefits payments rise: Report

U.S. workers compensation benefit payments increased to about \$55.4 billion in 2007, a 2% increase over the prior year, according to the National Academy of Social Insurance. The modest growth in medical and indemnity benefits was influenced by a 10% decline in cash benefit payments made in California because of reforms the state enacted in 2003 and 2004, the Washington-based NASI said.

Calif. regulator plans suit to block SCIF asset sale

California Insurance Commissioner Steve Poizner said he will file a lawsuit to have the sale of \$1 billion in State Compensation Insurance Fund assets declared unconstitutional. After a recommendation by California Gov. Arnold Schwarzenegger, a state budget revision in July authorized selling \$1 billion in SCIF's assets to bolster the state's ailing general fund. Mr. Poizner said the budget revision violates a provision of California's constitution that requires "appropriate legislation" to establish a workers comp system.

P/C insurers managing investment risk: Analysts

While U.S. property/casualty insurers are well-positioned to manage continued volatility in the investment markets, interest rates and inflation pose the biggest long-term

investment risks, according to separate reports by two rating agencies. A New York-based Moody's Investors Service report said the vast majority of insurers manage their investments conservatively, and have become even more cautious during the past year. A report by Chicago-based Fitch Ratings says insurers with the largest investment losses in 2008 had above-average positions in stocks or were multi-line insurers with asset allocations more typical of life insurers. Such companies held more mortgage-related and structured securities concentrations, the report said.

Beazley explores reinsurance sidecar

Lloyd's of London insurer Beazley Group P.L.C. is looking to launch a sidecar-style structure to add capacity to its treaty reinsurance business, the company said. Beazley said in a statement it is in discussions with members agents at Lloyd's to create a special-purpose syndicate to operate as a sidecar. The SPS is expected to write business from 2010 through at least 2012.

Health care costs to rise more than 10%: Surveys

Health care costs are expected to increase by more than 10% in 2010 for employer-sponsored plans, according to separate surveys by two benefit consultants. Aon Consulting projects an average 10.5% increase based on input from more than 60 leading health insurers representing more than 100 million insured individuals. Segal Co., meanwhile, says cost increases for managed care plans in 2010 will be about the same as in 2009, ranging between 10.2% and 10.8%, and high-deductible CDHPs will increase 11.9% next year, which is about 1% more than in 2009. The projections do not take into account plan changes employers may make.

Noted

William E. Bailey, special counsel to the Insurance Information Institute and an insurance industry spokesman, died recently after a battle with cancer....The Australian Administrative Appeals Tribunal has set aside the disqualification of Robert Reginald Stitt, a former nonexecutive director of the failed **HIH Insurance Ltd.** In June 2007, Mr. Stitt was disqualified by the Australian Prudential Regulation Authority from being a director or senior manager of a general insurer.

Gastric bypass to ensure success of 2nd surgery compensable: Court

Doctors said weight loss necessary before worker's knee surgery

By **ROBERTO CENICEROS**

Employers and their insurers lost two recent court decisions on whether they are obligated to pay for weight-reduction surgeries that workers compensation claimants argued were necessary before undergoing operations to treat work-related injuries.

In the most recent decision, the Oregon Supreme Court ruled last week in *SAIF Corp. vs. Edward G. Sprague* that SAIF must pay for gastric bypass surgery Mr. Sprague underwent in 2000 when he weighed 350 pounds.

Mr. Sprague had suffered a work-related left knee injury in 1976, and nearly 25 years later he again injured the knee, which had deteriorated since the initial injury. Doctors concluded he needed surgery to treat his obesity in order for knee surgery to succeed, court records show.

But Salem, Ore.-based SAIF, the insurer in the case, opposed paying for the weight-loss surgery. SAIF argued it should not compensate for the procedure because the claimant had not proved his obesity was caused by his compensable knee injury.

But the Supreme Court disagreed and upheld an appeals court ruling. It said the bypass surgery was related to the claimant's knee condition,

READ documents from this case and other public documents
www.BusinessInsurance.com

which was caused in part by the 1976 injury.

Oregon law "does not limit the compensability of medical services simply because those services also provide incidental benefits or help to treat other medical conditions that were not caused by the compensable injury," the court said.

"The fact that the gastric bypass also treated claimant's morbid obesity as a necessary incident of effectively treating his knee condition does not affect the resolution of the

compensability of his medical services claim."

While workers comp claims to treat obesity remain relatively few in Oregon, the Supreme Court's wording is broad and could apply to medical treatments needed to address other types of health issues, a spokesman for SAIF said.

"Anytime benefits are expanded, there will be costs to the system," the spokesman said.

In a somewhat similar ruling, the Court of Appeals of Indiana ruled Aug. 6 that an employer must pay for weight-reduction surgery so a 340-pound employee can increase the chances that a back operation to treat a work injury will be safe and successful.

The claimant, Adam Childers, was injured in 2007 when a freezer door struck his back while he was working as a cook.

Ruling on *Boston's Gourmet Pizza vs. Adam Childers*, the Indiana court also ruled that the employer must pay the employee temporary total disability benefits while he prepares for, and recovers from, the weight loss surgery.

Olympics: Chicago 2016 cover arranged

CONTINUED FROM PAGE 3

Under the liability program, the lead insurer for the \$25 million layer excess of \$1 million underlying primary coverage is Westchester Fire Insurance Co., a unit ACE Ltd., for an estimated annual premium of \$100,000.

Swiss Reinsurance Co., RSUI Group and AXIS Capital Holdings Ltd. would participate in the \$75 million excess of \$25 million layer for an estimated annual premium of \$172,500. The \$200 million layer excess of \$100 million, which would generate an estimated annual premium of \$260,000, would be underwritten on a quota-share basis by Ironshore Ltd., Canopus Group, Aspen Insurance Holdings Ltd. and Argo Capital Group Ltd. The \$200 million layer in excess of \$300 million, will be written on a quota share basis by Fireman's Fund Insurance Co., Zurich Financial Services Group, XL Capital Ltd., Travelers Co. and Arch Insurance Group. That coverage would cost \$200,000,



REUTERS
International Olympic Committee members tour the proposed site for the Olympic stadium in Chicago.

the document states.

The \$475 million event cancellation and abandonment coverage would not be placed until after next year's Vancouver Winter Olympic Games. It would be placed together

with the IOC, per an IOC requirement, the document notes. Underwriters on the risk were not specified.

The final \$500 million excess clash cover would be in place for the games in 2016. This insurance is excess of the public liability and event cancellation coverages, and indemnity coverage requires a \$500 million deductible that can be satisfied from underlying insurance.

In addition, the Chicago organizing committee plans to purchase sponsorship trade credit insurance.

Chicago 2016 also could bear some of the insurance costs associated with venue and Olympic Village construction.

According to the document, the insurance involved could include surety bonds, builders risk, cost overrun, construction delay and capital replacement coverage for the Olympic Village. According to the document, "costs may be borne by developers/contractors or the organizing committee."

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London gig to showcase cover bands

Many claims adjusters, brokers, underwriters and possibly even chief executives have had the dream of playing in a rock 'n' roll band at some point or another.

Some play open mic nights at the local watering hole, others jam in their garages or basements, and some may just enjoy playing the video game Rock Band and think they'd be pretty good in real life. Now there is a venue where they can display their talents—London's Wilton's Music Hall.

Oxygen Insurance Co. is holding a Battle of the Insurance Bands competition to aid London-based The Prince's Trust, which provides financial support to young people in need and helps them find gainful employment.

The competition takes place Oct. 15. To qualify, at least half of a band's members must be professionals working in the insurance industry. The winning band will be showcased in Insurance Day, London-based Oxygen's media partner.

Tickets for the event are £35 (\$58) and are available through Oxygen Insurance. Only 250 tickets are available.

For more information, visit www.oxygeninsurance.com.

Business Insurance END PAGE

Contributing: Jeff Casale, Judy Greenwald, Mark A. Hofmann



Mother-in-law jokes fall flat with family

Sunda Croonquist's mother-in-law is finding little funny about the comedian these days, and the feeling is mutual.

The comic's mother-in-law, Ruth Zafrin, is suing her in federal district court in Trenton, N.J., seeking unspecified compensatory and punitive damages for comments she claims are "malicious, intentional and based on her hatred towards her."

Ms. Croonquist's brother-in-law and sister-in-law, Neil and Shelley Edelman, also are plaintiffs in the case. The complaint says Ms. Croonquist says Ms. Edelman "speaks like a cat in heat." The complaint initially was filed in April, but was publicized last week.

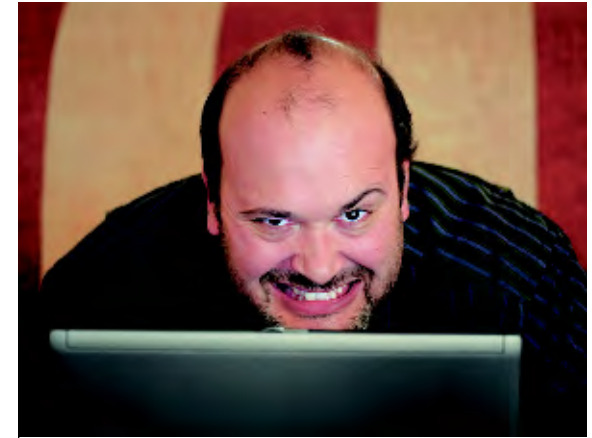
The complaint also asks that offensive statements about the plaintiffs be removed from the Internet, and that Ms. Croonquist be enjoined from identifying the plaintiffs in her appearances, writings or recordings.

The New Jersey-born Ms. Croonquist, who has an African-American mother and a Swedish father, attended Catholic school, and is married to a Jewish attorney, frequently uses her diverse family background as a source of her comedy material.

In her "mother-in-law" routine, for instance, she says when she first met her mother-in-law at a Passover seder Ms. Zafrin instructed someone in a loud whisper to "put my pocketbook away."

At least her husband is still on her side—his law firm is representing her in the litigation.

Excerpts of Ms. Croonquist's stand-up routine can be found on her Web site, www.sundalive.com.



WORKERS LIABLE TO REVEAL ALL TO NETWORK SITES

Before an employee from Kentucky Fried Chicken or the Coca-Cola Co. posts the secret recipe or formula on Facebook or Twitter, there are a few things employees and employers should know.

A survey released by Hartford, Conn.-based Travelers Cos. Inc. revealed how the use of social media can expose businesses to risk. Of those surveyed, 30% felt it was acceptable to post information about their employer online as long as they believe it is true.

Another finding in Travelers' survey was that more than 75% of those who post anything personal online said they were "not at all" or "not very concerned" about information posted online causing professional damage. Maybe that means John in accounting thinks pictures of him doing beer bongs last weekend are just way cool and not likely to hamper his career advancement.

Travelers' global technology unit conducted the online survey of more than 2,000 adults, exploring the trends of social media and the potential risks to businesses. Because social media networks such as Facebook and Twitter have become popular quickly, two-thirds of the respondents said their company did not have a policy in place for social media use, or they are not aware one exists.

"By implementing policies to address social media usage, and making employees aware of those policies, businesses can reduce their exposures to legal liabilities, breaches of proprietary information and damage to a company's brand and reputation," said Kathy Swendsen, president of Travelers global technology unit, in a statement.

She added that "employees' increased use of social media may amplify a businesses' exposure to potential liabilities such as harassment, defamation, copyright infringement, and privacy violations."

TROUBLED SOUL TOILS FOR RIGHT TO PERFORM RITES

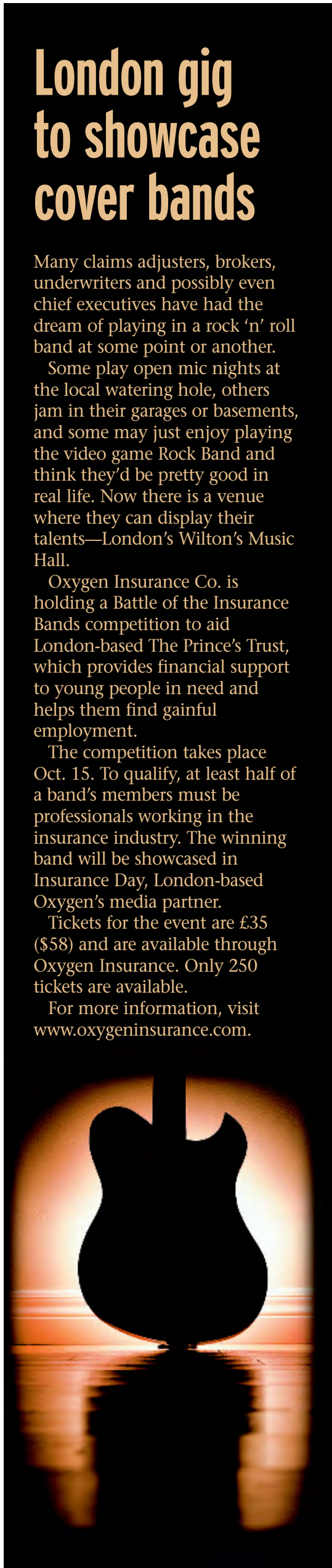
While it's not all that unusual for prisoners to practice religion while serving time, a Texas inmate has filed suit against the state prison system for allegedly failing to provide him with the materials he needs for worship.

According to the Associated Press, 28-year-old Charles Roberts, who is incarcerated in a prison facility in Edinburg, is a Wiccan, a follower of a neo-pagan nature-worshipping faith. In a suit filed recently in federal court, Mr. Roberts says he repeatedly has requested books and to hold a Wiccan service to no avail.

In his suit, Mr. Roberts, who is serving a sentence for aggravated assault, asks the prison system grant his requests and that it pay him \$500,000 in damages.

A spokesman for the prison system declined to comment on the suit, according to the AP. However, the spokesman said the system has policies for accommodating minority religious groups.

Still, we're willing to bet that \$500,000 could get Mr. Roberts a pretty fancy pentagram or two if he wins his suit.





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