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**TERRORISM BACKSTOP ESSENTIAL TO COMPANIES IN MIDDLE MARKET / PAGE 3**

## inBrief

### RISK MANAGEMENT

# New Orleans passes flooding test

*Insurers unmoved by Isaac's failure to breach defenses*

By **RODD ZOLKOS**

The storm protection system developed after Hurricane Katrina to protect the Greater New Orleans area withstood Hurricane Isaac last month, but its effect on property insurance availability and rates remains in question.

Hurricane Isaac posed the first real test of the \$14.6 billion Greater New Orleans Hurricane and Storm Damage Risk Reduction System, designed and built by the U.S. Army Corps of Engineers following Katrina in 2005.

"The system functioned as designed and we're real pleased with the outcome," said Michael F. Park, chief of Task Force Hope in Louisiana, part of the U.S. Army



AP PHOTO

**New Orleans's \$14.6 billion storm surge system built in the wake of Hurricane Katrina held up when Hurricane Isaac hit last month.**

Corps of Engineers' Mississippi Valley Division. "I would think that this was not an insignificant event and offers evidence of the functionality of the system as well

as the cohesiveness of the partnership between the different agencies that have responsibility for the operation."

However, Robert Muir-Wood,

chief research officer at Risk Management Solutions Inc. in London, questioned the significance of the test.

"It hasn't been tested very hard, I would say, because this hurricane wasn't very intense," said Mr. Muir-Wood. "I don't think Isaac was really a test.

"If they hadn't spent \$14 billion on defenses, I don't think there would be any flooding in New Orleans from" Isaac, he said.

Mr. Park disagreed.

While the storm that made landfall Aug. 28 in Louisiana as a Category 1 hurricane was not a strong storm, "for all intents and purposes it stalled as it was passing over the area," Mr. Park said, and caused substantial storm surge.

Areas in Plaquemines Parish outside the federal protection system, for example, experienced serious flooding as a 13-foot storm

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## AIG share sale raises \$20.7 billion

American International Group Inc. said Friday that the U.S. Treasury Department has received proceeds of about \$20.7 billion through the sale of 636.9 million shares of AIG common stock. The initial public offering price was \$32.50 per share. AIG said it purchased about 153.8 million shares for a total of about \$5 billion. The offering reduced the Treasury's remaining investment in AIG to about 234.2 million shares of common stock, or about 15.9% of outstanding shares, down from 53.4%, according to AIG. The U.S. government now is no longer the majority owner of the insurer.

## American Airlines freezing pension plans

American Airlines Inc. has told its employees that it will freeze its four massively underfunded pension plans effective Nov. 1, putting to an end a long-running saga over the plans' future. That saga began in November when American's parent, AMR Corp., filed for Chapter 11 bankruptcy reorganization. In January, American said it would seek bankruptcy court approval to terminate the plans, which have about 130,000 participants.

## D&O pricing increases in second quarter

Pricing in the directors and officers liability market hardened in the second quarter of this year compared with the

See **IN BRIEF** page 21

### WORKERS COMPENSATION

# Lost productivity a growing problem

*Many employers struggle to track cost of absence, presenteeism*

By **ROBERTO CENICEROS**

Poor worker health and related productivity losses cost U.S. employers \$576 billion annually, including workers compensation, disability and group health program expenses, according to research released last week.

But large, sophisticated employers are struggling to track and measure how much the lost productivity resulting from employee absences and presenteeism costs their companies. Presenteeism occurs when employees are at

work, but not performing at their peak, perhaps due to illness.

Employers want to measure the impact of absence on productivity because they believe the losses significantly affect their company profitability, observers said.

**\$576B**

Poor worker health and related productivity losses cost U.S. employers \$576 billion annually.

"It all boils down to the bottom line," said Kimberly Mashburn-Lee, vice president of strategic client solutions for Pacific Resources Benefits Advisors L.L.C., a Chicago-based employee benefits advisory company. "If your employees are not at work and they are not productive, the bottom line is going to be affected dramatically."

But several complications prevent employers from adequately tracking and measuring employee absence and productivity losses. They include having hundreds or thousands of employees spread across multiple geographic regions; corporate silos separately administering various benefit programs such as workers compensation and group health; and multiple state and federal leave mandates like the Family and Medical Leave Act.

"It's true that most employers don't have a good handle on the

See **PRODUCTIVITY** page 21

### INSIDE



**MONTE CARLO, Monaco** – After more than a year of property reinsurance price hikes, which were pushed onto primary policyholders, insurers likely will have an easier time as they start negotiating year-end reinsurance renewals.

At the Rendez-vous de Septembre reinsurance meeting in Monte Carlo, Monaco, last week, reinsurers and brokers agreed that the Jan. 1, 2013, renewals won't see much rate movement unless a major catastrophe strikes before the end of this year.

Reinsurers spoke about the need for more increases and hope that single-digit rate hikes still may be possible. But with plentiful capacity, including nontraditional reinsurance capacity from the capital markets, brokers and others spoke of flat renewals and moderate decreases in some areas.

*Business Insurance* reporters attended the meeting to talk with market players about their outlook for the industry. Read the reports starting on page 9.

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5. Worker who tested positive for cocaine use entitled to comp
6. Credit rating agencies increase importance of ERM: Aon
7. Hobby Lobby suit seeks to block contraceptive rule enforcement
8. California gov signs pension bill, hails it as historic reform
9. House subcommittee hears TRIA reauthorization testimony
10. Low interest rates are primary challenge to reinsurers: CEOs

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## New Orleans: Survives Isaac

CONTINUED FROM PAGE 1

surge scaled eight-foot levees.

If not for new storm protection features such as the Inner Harbor Navigation Canal Surge Barrier at Lake Borgne and the Seabrook Floodgate Complex, "levees and flood walls would have been overtopped significantly," likely leading to significant flooding in St. Bernard Parish, the lower 9th Ward and other areas of metropolitan New Orleans, Mr. Park said.

David Finnis, executive vice president and national property practice leader at Willis North America Inc. in Atlanta, said he hasn't seen any immediate effect on insurance pricing in the newly protected area because of Hurricane Isaac, but he thinks markets would have responded quickly had the system failed.

"If there would have been failure of any of the city levees where the work was done, that would have had an effect," Mr. Finnis said. "It's a very good thing that these held."

"The levees held, and underwriters will continue to offer capacity," Mr. Finnis said. "I'm sure a lot of underwriters were skeptical. It's a great thing that they held."

"The flood protection worked," said Warren Perkins, vice president and risk manager

at Boh Bros. Construction Co. L.L.C. in New Orleans, who has organized tours of the storm risk-reduction improvements and other events aimed at educating insurance markets on the new protections in place and improving pricing and coverage in the area.

"Whether it's going to affect the rating and the modeling, I'm not aware there are any real opinions regarding that," Mr. Perkins said.

John A. Tuttera, senior vice president-construction and completed civil works at Hiscox USA in New York, said he's talked to clients with projects inside the protected area of New Orleans who weren't affected by Hurricane Isaac. The new storm protection system "is having an impact," Mr. Tuttera said.

But, he said, "Bear in mind, too, that we're still at the beginning of the storm season." And, he said, details of the Isaac losses elsewhere in Louisiana still are being tallied.

"The problem is that they've got the other parts of the area that's been hit," Mr. Tuttera said. "You won't know what the bottom line numbers are for at least another couple of months."

The 133-mile perimeter integrated system is designed to withstand a 100-year event, with the Army Corps having improved and strengthened nearly all the levees, flood walls, pump stations and surge protectors along that perimeter. The system focuses on stopping storm surge at the Greater New Orleans perimeter and pumping any potential floodwaters out of that perimeter.

"I think they've clearly designed it to withstand a repeat of Katrina for Greater New Orleans," Mr. Muir-Wood said. "I would be surprised if they haven't achieved that."

"For modeling purposes, we have pretty good confidence that they have provided the level of protection that they think they have," he said. "The risk really is better today than it has been in the last hundred years." But, Mr. Muir-Wood said, there will be questions in the decades ahead.

"The risk level gradually increases through time," he said, noting that New Orleans is subsiding and hurricanes are becoming more intense. And, he said, the system might face maintenance issues and it is unlikely there will be significant additional funding for flood protection in the area in the near future.

After a major flood, it's typical to see "initial enthusiasm" to make significant investments in flood defenses, but that enthusiasm wanes over time, Mr. Muir-Wood said.

He cited the experience of significant floods in New Orleans before Katrina in 1915, 1947 and 1965. "After each incident, there was a phase of investment that didn't last that long," Mr. Muir-Wood said.



New Orleans' West Closure Complex pumping station, the largest drainage pumping station in the world, can fill an Olympic-size pool in five seconds.

## NEW ORLEANS' HURRICANE PROTECTION

Facts about the \$14.6 billion Greater New Orleans Hurricane and Storm Damage Risk Reduction System:

- The 1.8-mile Inner Harbor Navigation Canal Surge Barrier at Lake Borgne is the largest design-build project in the history of the U.S. Army Corps of Engineers. Also the largest of its kind in the world, the barrier includes three gated structures and a barrier wall standing 28 feet above the water line.
- The Inner Harbor Navigation Canal Surge Barrier involved the largest continuous placement of concrete since the construction of the Hoover Dam.
- Three of the five largest cranes in the U.S. were used in pile driving for the Inner Harbor Navigation Canal Surge Barrier.
- The system's West Closure Complex includes the largest drainage pump station in the world, capable of filling an Olympic-size swimming pool in less than five seconds, and the largest sector gate in the United States.

Source: U.S. Army Corps of Engineers

## QUESTIONS &amp; ANSWERS



John Nelson, who was named chairman of Lloyd's of London last year, brings an outsider's perspective to the market. After spending a career in banking and asset management, Mr. Nelson joined Lloyd's after several tumultuous years for the market. In his first year at Lloyd's, the market has focused its efforts on reducing costs and expanding its business in international markets. Mr. Nelson spoke last week with Business Insurance Editor Gavin Souter about the challenges and opportunities ahead for Lloyd's.

## Chairman offers Lloyd's market fresh perspective

**Q: As someone who came to Lloyd's from outside the insurance industry, what do you see as the key challenges that are still ahead for Lloyd's?**

There are three roles we have: regulator, enabler, promoter.

Regulator is absolutely crucial and that's No. 1. If we don't have good underwriting discipline, we don't have a business. As we saw in the 1980s and 1990s and, indeed, more recently in the early 2000s, Lloyd's future was very much in jeopardy; and I think that since the franchise system has been introduced, there is much more discipline and a great deal more professionalism in terms of underwriting. And we need to keep that up.

The second area, which any market has to do, is its processing has to be really efficient. We have lowered the costs. In my first year, we've taken the costs down by about 8%, which is, I think, very important. We've been a bit behind in terms of technology and processing of claims, premiums and policies. On claims, I think we've made good progress. We've got times down on our claims in some areas by about 40%, which, I think, is quite an achievement. We've got Project Darwin going on at the moment, which is in its early stages, which is the basic processing model, and I think the market has got behind it.

The third area is what I call, loosely, promotion, which is really making sure that Lloyd's has got the opportunity of being the global hub for specialist insurance and reinsurance, and I think we're in a pretty good place. In the growing, emerging territories, we've got to make sure we're there. My predecessors pushed Lloyd's out into some of those markets, like China and so on, but I

See **NELSON** page 19

## LIABILITY AND LITIGATION

# High court takes on class actions

*Outcome could restrict forum shopping options*

By **JUDY GREENWALD**

The U.S. Supreme Court's eventual ruling in a case that deals with whether a putative class action suit should be heard in federal or state court could have a dramatic effect on business' success in defending class action suits, experts say.

The insurer defendant in *The Standard Fire Insurance Co. v. Greg Knowles*, which the high court accepted for review late last month, is seeking to have a lower court ruling overturned and have the case heard in federal court, while Mr. Knowles is seeking to have the case heard in state court.

Employer attorneys say that in addition to federal courts tending to be more sympathetic to business interests, requiring cases to be heard in federal courts avoids the danger of forum shopping, where plaintiff attorneys seek jurisdictions that are more favorably inclined to their interests.

The underlying dispute concerns the alleged underpayment of claims by Hartford, Conn.-based Standard, a Travelers Cos. Inc. unit, in connection with damage caused by hail in March 2010.

A focus of the litigation is the Class Action Fairness Act of 2005, which states that to be heard in federal court, the amount in controversy must be at least \$5 million.

Mr. Knowles has presented a sworn stipulation that the total damages in his putative class action suit would be less than \$5 million.

This is disputed by Standard, which argues the stipulation's language "does not adequately bind Plaintiff" and that the total amount will exceed \$5 million once attorneys' fees and costs are included, according to the Dec. 2, 2011, ruling by Judge P. K. Holmes III, chief judge of the U.S. District Court in Fort Smith, Ark.



The U.S. Supreme Court has agreed to hear a case in which the insurer defendant says a class action should be heard in a federal court rather than a state court.

Ruling in the plaintiff's favor, Judge Holmes said, "The question is whether a plaintiff may meet his burden of proof by stipulating at the time the complaint is filed that he will not seek more than the federal jurisdictional minimum for himself and the putative class."

Judge Holmes concluded, "The law in this circuit is clear that a binding stipulation sworn by a plaintiff in a purported class action will bar removal from state court if the stipulation limits damages to the state jurisdictional minimum."

"The court finds that plaintiff has shown to a legal certainty that the aggregate damages claimed on behalf of the putative class shall in good faith not exceed the state court's jurisdictional limitation of \$5,000,000," said the ruling, which remanded the case to the Miller County circuit court in Texarkana, Ark.

The 8th U.S. Circuit Court of Appeals in St. Louis denied permission to appeal the

ruling on Jan. 4. The Supreme Court agreed to hear the case Aug. 31.

In successfully arguing for Supreme Court review, Standard said a stipulation "by an unauthorized representative of an uncertified class" should be disregarded.

"Disregarding these 'stipulations' which are indisputably contrived for the sole purpose of evading federal jurisdiction under the (Class Action Fairness Act) not only protects defendants' rights of removal and absent members' constitutional rights but also ensures that (the Class Action Fairness Act) will achieve its expressed purpose of protecting against state-court abuses of the class action device," said Standard in its petition for Supreme Court review.

The question of whether plaintiffs can disclaim damages "for absent class members, people who have not shown up in

See **CLASS** page 21

## LEGISLATION AND REGULATION

## TRIA debate turns to middle-market risks

*Proponents say backstop essential for many firms*

By **MIKE TSIKOUidakis**

Continuing the federal terrorism insurance backstop is essential to the stability of most middle-market and small companies, proponents of extending the coverage beyond 2014 told a congressional panel last week.

The House Financial Services Committee's Subcommittee on Insurance, Housing and Community Opportunity heard from 12 insurance and financial industry witnesses, including risk managers and representatives of insurers and industry associations, who mostly agreed that the terrorism backstop should not be allowed to expire at the end of 2014.

Terrorism-related risks are uninsurable, as insurers cannot adequately predict, track or price the risks because vital underwriting information is not public, which witnesses said is particularly true for insurers and



**'I think a lot of us have learned that terrorism insurance is something that the vast majority (of) medium-size businesses need, want, and that these are risks that cannot be priced by the private sector.'**

Rep. Brad Sherman, D-Calif.

agents serving middle-market companies.

The Terrorism Risk Insurance Act, a risk-sharing program created in 2002 in response to the Sept. 11, 2001, U.S. terrorist attacks, filled a void when insurers and reinsurers could not price terrorism risks and withdrew from the market. Congress extended the terrorism insurance backstop in 2005 and again two years later with enactment of the Terrorism Risk Insurance Program Reauthorization Act of 2007.

"I think a lot of us have learned that terrorism insurance is something that the vast majority (of) medium-size businesses need, want, and that these are risks that cannot be priced by the private sector," Rep. Brad Sherman, D-Calif., testified during the hearing.

Michael H. Lanza, executive vice president and general counsel of Branchville, N.J.-based Selective Insurance Group Inc.,

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## Data strategy helps insurers reduce costs

Data capturing and management could be the key to more accurate and cost-effective data processing systems and data analysis.

In last week's *Business Insurance* webinar, "Impact: Insurance — How Capture-Enabled Business Process Management Helps Key Insurance Initiatives Succeed," Nathaniel Rowe, research analyst for enterprise data management at Boston-based Aberdeen Group Inc., and Jeff Ballard, insurance industry executive at Irvine, Calif.-based Kofax Inc., highlighted the repercussions and perks of an automated data capturing and management system.

Sponsored by Kofax, the webinar is available on demand at [www.businessinsurance.com/webinars](http://www.businessinsurance.com/webinars).

Using information gathered from an Aberdeen Group study from this year, Mr. Rowe began the presentation by talking about the differences a data processing system can make when it comes to costs, decision-making, regulatory compliance and customer service. About 30% of companies feel that the volume of documents is growing too fast to handle efficiently, and only 51% of insurance companies are comfortable with the quality of their business decisions when based off of "document-centric data."

From that point, Mr. Rowe revealed that putting a management or capture system into place not only allows for more usable and accurate data, it also leads to an 8% improvement in the overall operational expense for document processing and year-over-year change.

Mr. Ballard discussed how automation can improve a company's revenue growth and efficiency.

For example, using a filtering system can lead to better transparency, response time and customer satisfaction, he said.

"Faster and more efficient analysis by getting that information into the process faster, getting it in more accurately, certainly provides greater value and reduces errors on the front end and saving dollars on the back end for these policies," Mr. Ballard said.

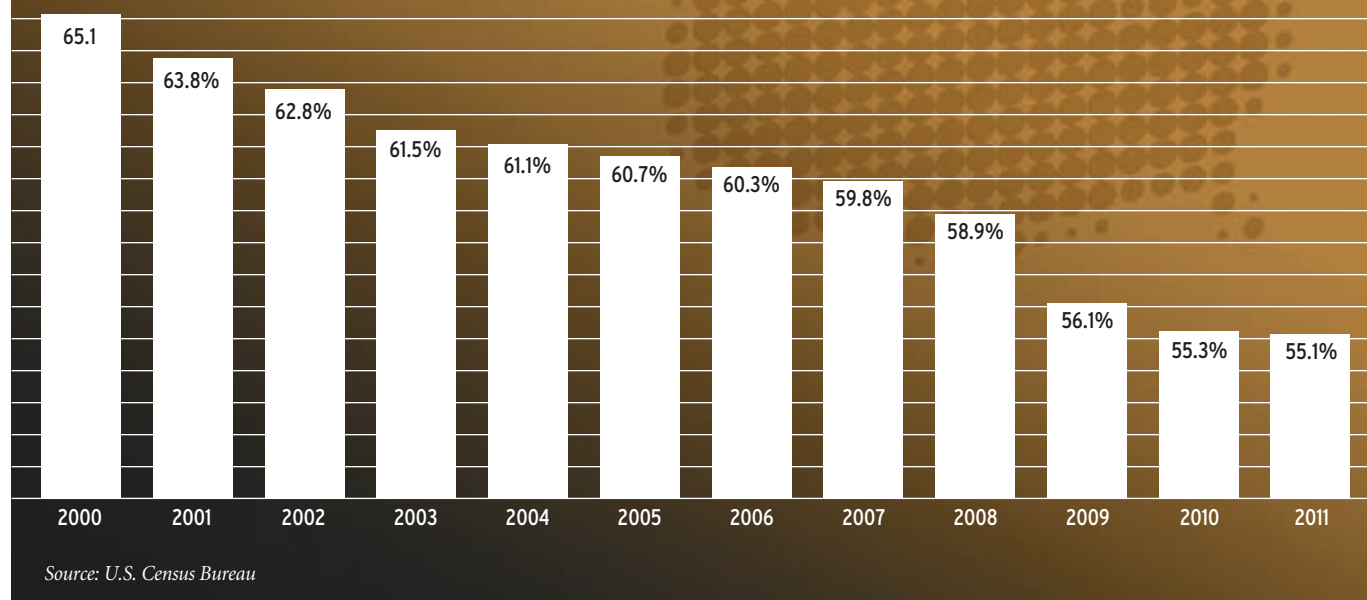
Both speakers stressed that even the best employees can have off days. By using "touchless processing," many companies can do a better job reacting to the information they have on hand and using it in the best way possible.

The free, 60-minute webinar can be viewed on demand at [www.businessinsurance.com/webinars](http://www.businessinsurance.com/webinars).

— By Anna Gaynor

## HOLDING STEADY

The percentage of the U.S. population covered through employer-based health insurance plans remained nearly stable in 2011 after years of steady declines.



## HEALTH CARE BENEFITS

# Reform halts decline in uninsured

*Mandate extending cover to workers' adult children stops long-term trend*

By JERRY GEISEL

Buoyed by an extension of coverage to employees' adult children mandated by the 2010 health reform law, the percentage of people covered by employer-sponsored health plans held nearly steady in 2011, ending a slide of more than a decade, the U.S. Census Bureau reported last week.

In 2011, 55.1% of the population was

covered through employer-sponsored health care plans. But that slight coverage decline from 55.3% in 2010 is not statistically significant, the Census Bureau said.

By contrast, until 2011, the percentage of the population covered through employer-sponsored plans had fallen every year since 2000, when 65.1% of the population had coverage through employer plans.

The number of people enrolled in employment-based plans inched up to 170.1 million in 2011 compared with 169.4 million in 2010. But that increase also was not statistically significant, the government agency said.

The key reason for the stabilization of

employment-based coverage was a provision of the Patient Protection and Affordable Care Act, which generally took effect on Jan. 1, 2011, that required employers to extend coverage to employees' adult children up to age 26.

The uninsured rate for those age 18 through 25 dropped to 27.7% in 2011, down from 29.2% in 2010, the Census Bureau reported.

"It's pretty simple. The young adults were added to their parents' plans. The mandate caused things to happen," Helen Darling, president of the National Business Group on Health in Washington,

See **CENSUS** page 20

## RISK MANAGEMENT

# Risk managers prove their value talking the language of business

*Programs should be documented, embedded*

By JOANNE WOJCIC

**SASKATOON, Saskatchewan** — More than a decade ago, when Bell Canada was in the midst of a hostile takeover bid of another company, the company's risk manager asked about the risks that Bell Canada would acquire as a result of the transaction.

"We had to submit our questions in advance," said Susan Meltzer, Bell Canada's former risk manager and now vice president of enterprise risk management at Aviva North America Inc. in Toronto. Her questions included, "How much insurance do you keep on an orbiting satellite?"

The takeover company's new CEO said that it wasn't necessary to insure satellites after they are in orbit because "nothing can happen," Ms. Meltzer recalled during a session on "Stories from the Front Line of Risk Management" during the 2012

RIMS Canada Conference, held last week in Saskatoon, Saskatchewan.

After that meeting, Ms. Meltzer investigated the cost of insuring an orbiting satellite — about \$13 million Canadian at the time — and prepared a report that she filed away for future reference.

But a short time later, while she was at home one evening watching television with her then-5-year-old son, the broadcast was interrupted when a meteor shower knocked that satellite out of orbit.

"I was jumping for joy!" she said.

Ms. Meltzer also said she received a call the next day inquiring about whether that CA\$13 million satellite insurance policy would respond to the loss, valued then at CA\$300 million.

"If I hadn't documented that the CEO declined to buy the cover, I would probably

See **CANADA** page 20

## RIMS CANADA CONFERENCE DRAWS 400 TO SASKATOON

**SASKATOON, Saskatchewan** — More than 400 delegates attended the 38th annual RIMS Canada Conference: Horizons 2012: Where Today's Risks Meet Tomorrow's Solutions.

The conference, organized by a standing committee of the Risk & Insurance Management Society Inc. that addresses the Canadian activities and strategic initiatives of RIMS and risk management in Canada, featured 27 educational breakout sessions and five plenary sessions.

The exhibit hall at TCU Place in midtown Saskatoon, Saskatchewan, served as a central meeting place for the conference, providing networking opportunities and featuring approximately 80 providers who displayed and demonstrated their products and services throughout the conference.

The 2013 RIMS Canada Conference will be held Oct. 6-9, 2013, in Victoria, British Columbia. For more information, visit [www.rims.org](http://www.rims.org) or [www.rimscanada.ca](http://www.rimscanada.ca).

— By Joanne Wojcik

## PROPERTY/CASUALTY INSURERS

# Interest rates challenging P/C insurers

*Low investment returns put focus on profitable underwriting*

By **MARK A. HOFMANN**

**DALLAS** — A 100% combined ratio isn't what it used to be for property/casualty insurers, the president of the Insurance Information Institute Inc. said last week.

That's because interest rates have dropped to lows not seen in decades, thus placing more emphasis on underwriting discipline, III President Robert P. Hartwig said during the sixth annual Entrepreneurial Insurance Symposium in Dallas.

Dallas-based electronic insurance exchange MarketScout established the symposium in 2007 as a means to profile innovation in the insurance industry.

Mr. Hartwig said no current insurance management team in the world has ever operated in an environment where interest rates are as low as they are now. Not only are interest rates low, they will remain so, he said, forcing insurers to make up for investment income through underwriting and pricing discipline.

That's particularly true for

**'We saw comp premiums written fall off a cliff' in 2006 due in part to a soft market.**

Robert P. Hartwig,  
Insurance Information Institute Inc.

workers compensation, Mr. Hartwig said. Workers comp "needs to turn hard and needs to remain hard," he said.

"We saw comp premiums written fall off a cliff" in 2006 due in part to a soft market, he said. Now the workers comp exposure is higher than it was before the plunge, he said.

For property/casualty insurance in general, pricing is "all moving in a positive direction," said Mr. Hartwig.

In addition, tort costs have leveled off. "The tort reforms of the prior decade have had a positive effect" and helped make the United States more competitive in the global marketplace, he said.

Looking ahead, Mr. Hartwig said industries that will need insurance solutions in the next 10 years include health care, health sciences and energy, both traditional and alternative.

For the economy in general, "things aren't as much of a disaster in the United States as we might think," Mr. Hartwig said. Consumer sentiment is up, and there has been a "dramatic" reduction in business bankruptcy filings. However, during a question-and-answer period after his presentation, Mr. Hartwig said that con-

sumers are mending their household balance sheets, and that it will probably be the middle of the decade before people feel better. "That's a lost decade," he said.

The best way to reduce government debt is for the economy to grow while spending holds steady, he said. But holding the line in spending is "one of the tests for any administration," he said.

Mr. Hartwig also discussed the

relationship of presidential politics and the property/casualty insurance industry's return on equity, and whether the industry fares better under Democratic or Republican presidents.

The president's party affiliation has "marginal bearing on the profitability" of the property/casualty industry, he said. "Hurricanes and earthquakes don't care who is in the Oval Office."

## 400 ATTEND ENTREPRENEURIAL INSURANCE MEETING

**DALLAS** — The sixth annual Entrepreneurial Insurance Symposium drew nearly 400 people to Dallas last week.

The two-day event, launched in 2007 by Dallas-based electronic insurance exchange MarketScout to profile innovation in the insurance industry, featured presentations by 14 industry leaders.

It also included the "shark tank," where members of the Entrepreneurial Insurance Alliance chose six finalists from more than 100 applicants to participate in the event.

Presenters had 10 minutes to demonstrate their innovations in the fields of insurance underwriting, distribution or technology before facing an additional five minutes of questioning from a panel of expert judges. Winners had not been announced by press time.

Next year's symposium is slated to take place Sept. 10-11, 2013.

—By Mark A. Hofmann



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# Mid-Market EXECUTIVE

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



## Dealing with violence at work

*Employers' transparency, communication vital to helping employees cope*

By **MATT DUNNING**

After the initial recovery period from a violent incident in the workplace, it is vital for employers to maintain open lines of communication with their employees and emphasize transparency regarding the prevalence and prevention of potential future threats.

However, mid-market executives and managers often delay or defer training employees to more readily identify and report the warning signs of violent behavior for fear of exacerbating trauma-related anxieties stemming from the original incident, workplace violence experts said.

Similarly, interpersonal sensitivities often are heightened among the workforces of small and midsize firms, and many employees might hesitate to disturb the bonding that smaller worker groups use to cope with the shock of a violent event, experts said.

"It's human nature for people to be hypersensitive," said Kevin Wilkes, a Pittsburgh-based vice president and security practice leader at Willis North America. "But it's very important for employers to consider carefully what training programs they put in place following an incident for managers, supervisors and general employees, and how well those programs address identifying and reporting warning signs."

**'The important thing about the awareness program is to ensure that you have your people paying attention in order to recognize when something's happening that either feels disconcerting or presents an immediate threat of danger.'**

Tracy Knippenburg Gillis,  
Marsh Risk Consulting.

To begin with, safety and security consultants and practitioners advise employers to redouble their efforts to raise their workers' awareness of the common sources and predictive indicators of violent behavior (see story, page 7).

Small and midsize firms that either do not have the financial or personnel resources to commit to dedicated instruction and training exercises, or do not wish

to upset their employees with such an overt approach so soon after an event, can improve awareness by utilizing a wide range of free brochures, posters and other educational resources available online. Many of these resources also are available through federal and state labor and law enforcement agencies.

"The important thing about the awareness program is to ensure that you have your people paying attention in order to recognize when something's happening that either feels disconcerting or presents an immediate threat of danger," said Tracy Knippenburg Gillis, the New York-based global reputational risk and crisis management practice leader at Marsh Risk Consulting.

Enhancing employees' awareness of potential threat indicators is only part of the solution, experts said. In many cases, post-incident investigations reveal that several employees within an organization knew — or at least suspected — that a co-worker, customer or some other individual posed a threat to the company and its workers, but never reported it because the structure for doing so either didn't exist or was never clearly outlined to lower-level managers and employees.

"They don't know that it's even OK to tell anyone, and they aren't sure what exactly the process is for handling those types of sit-

uations," Ms. Gillis said, adding that any new or augmented reporting system that employers establish in response to a violent event should provide the option of anonymity for employees, particularly those in smaller, more familiar worker groups.

"Perhaps most importantly, they need to know that there's not going to be any retribution or any negative consequence put upon them for reporting someone or something that's making them feel threatened or uncomfortable," Ms. Gillis said.

### *Personnel limitations*

Even companies with sound training and reporting structures often fall short in their ability to identify and manage potential violent threats, typically because of personnel limitations, experts said. However, mid-market employers can, under certain circumstances, expand their predictive visibility by engaging properly trained employees as active monitors.

"If there's a scenario where there does appear to be some level of severity or urgency regarding a certain individual, it could be beneficial for the employer to not to keep that situation a secret, necessarily," said Eileen Ramallo, executive vice president at Duluth, Ga.-based Healthcare Solutions.

Rather, managers could obtain a better line of sight on a situation by informing the reporting employees, as a coordinated group or individually, of the prevalence of similar complaints lodged by their co-workers, and ask that they keep watch over the perceived threat.

However, Ms. Ramallo said, "employers will need to maintain a balance between individuals' privacy and looking at what's best for the entire workforce."

Finally, mid-market managers and executives must account for their preventative opportunities and obligations above and beyond the enhanced vigilance of their employees, experts said. All too often, violent workplace encounters are set in motion not by a specific action or event, but instead by real or perceived neglect on the part of the employer.

"In a lot of cases, people act out because they think no one cares," said Sean Ahrens, Aon Global Risk Consulting's Chicago-based security consulting practice leader.

Once a potential threat has been identified and mitigated at the primary level, it is incumbent on company management to continue engaging those individuals in as much as targeted outreach as possible, Mr. Ahrens said, even and at times, especially when the primary solution to a problem is ultimately an individual's dismissal from the company.

Periodically checking in with a potentially dangerous current or former employee, offering counseling and anger-management assistance, or otherwise indicating that the individual has not simply been discarded could be the key to diffusing an impending violent event, Mr. Ahrens said.

"There are all of these emotions going on inside them, and they brood about them and they fester inside of them to a point where you get to a climactic action," Mr. Ahrens said. "Simple little outreach efforts like that can have a big impact."

# Behavior, circumstances factor in workplace violence

By **MATT DUNNING**

While there is no standardized profile that fits every person who has perpetrated a violent workplace act — or the conditions that precipitated their actions — law enforcement agencies, labor regulators and other workplace safety and security experts have developed a robust vocabulary of common warning signs and predictive circumstances.

The challenge for employers and their workers, of course, is determining how best to weight identification of those warning signs against the limitless variations of context and severity that are inherent to real-life applications.

“That’s not an easy thing to understand, because it’s never really going to be a black-and-white line,” said Tracy Knippenburg Gillis, New York-based global reputational risk and crisis management practice leader at Marsh Risk Consulting.

“It doesn’t even need to be an employee that commits the act. It can come from an external source such as a customer or a client, or it could be a completely random act,” she said.

Examples of observable workplace behavior that tend to predict a violent event include increasing belligerence, fascination with weapons and angry outbursts, according to the FBI (see box).

Additionally, experts said, certain employee groups historically have shown a higher probability of committing a violent act.

“Generally, you’re talking about people with drug and alcohol problems, people who have experienced some sort of recent loss or separation, or were recently demoted, disciplined or fired at work,” said Kevin Wilkes, a Pittsburgh-based vice president and security practice leader at Willis North America Inc. “On the flip side, you also need to be aware of people who have been victimized by workplace bullying or experienced some other type of denial of respect on the job.”

Some incidents, such as those perpetrated by customers or visitors, cannot be predicted by much more than a few minutes, experts said. But those minutes often prove invaluable in minimizing the damage of an impending violent event.

“An individual’s body language is a good indicator of their mental or emotional state and can be predictive of a violent incident,” said Sean Ahrens, Aon Global Risk Consulting’s Chicago-based security consulting practice leader. “If someone is standing with their arms folded tight, you know that person might be feeling defensive or threatened. If someone is pacing back and forth, that’s another good sign of heightened anxiety or agitation.”

Employers also should consider characteristics of the workplace itself when looking for predictive indicators, experts said, as a toxic work environment combined

with an individual who is already exhibiting some of the warning signs of a violent tendency can be a recipe for disaster.

Some common examples of workplace conditions that could potentially inflate the likelihood of a violent incident include extraordinarily rigid or paramilitary-like cultures, a high degree of competitiveness among co-workers, recent downsizing, and significant reductions in employee resources, benefits or compensation.



**WARNING SIGNS**

*Workplace behavior that can predict a violent event*

- Increasing belligerence
- Hypersensitivity to criticism
- Recent acquisition/fascination with weapons
- Apparent obsession with a supervisor or co-worker or employee grievance
- Preoccupation with violent themes
- Interest in recently publicized violent events
- Outbursts of anger

*Source: Federal Bureau of Investigation*



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# Opinions

## EDITORIAL

## Health care's on a happy roll

It is rare that in a single week there are two sources of good news on the health care front. But last week was one of those weeks. The first piece of good news was a Kaiser Family Foundation report that group health care plan costs increased a very modest 4% this year.

And the second piece of good news was the U.S. Census Bureau report showing a fairly significant drop in 2011 in the number of Americans without health insurance, and no real change in the percentage of the population with employment-based coverage after years of declines.

Regarding health care costs, a 4% increase is a huge improvement from the double-digit annual increases that were the norm around 2000 and for a few years after that. In 2002 alone, costs increased by an average of 14.7%, according to Mercer L.L.C. Those huge increases triggered understandable anxiety from employers on whether costs ever could be brought under control.

That hasn't happened yet, but the actions of employers and insurers have helped bring cost increases down to far more reasonable levels, as the Kaiser report brings home.

The implementation and spread of high-deductible consumer-driven health care plans, which makes employees more careful and thoughtful users of health care services, the expansion of corporate wellness programs and the growth of generic drugs are just a few of the reasons health care costs are rising at a much slower rate compared with a few years ago.

Clearly, there is much more work to be done on the cost-control front. But progress is being made, and employers should take comfort in that.

On the coverage side, the news also is good. Just over 55% of the population last year was covered in employer-sponsored plans, about the same as in 2010. That stability contrasts with years of sharp declines in employment-based coverage. Between 2008 and 2009 alone, employment-based coverage fell by nearly three percentage points.

An improving economy and, especially, a provision in the 2010 health care reform law that requires employer plans to offer coverage to more of their employees' adult children are certainly the reasons behind the stability in employment-based coverage rates.

That is good news for all employers. To the extent that more people have health insurance, hospitals will have less uncompensated care — costs that are shifted to those with coverage. And with health insurance coverage, individuals are far more likely to get medical problems cared for promptly and at a far lower cost than when the problems are left untreated and develop into expensive-to-treat medical complications.

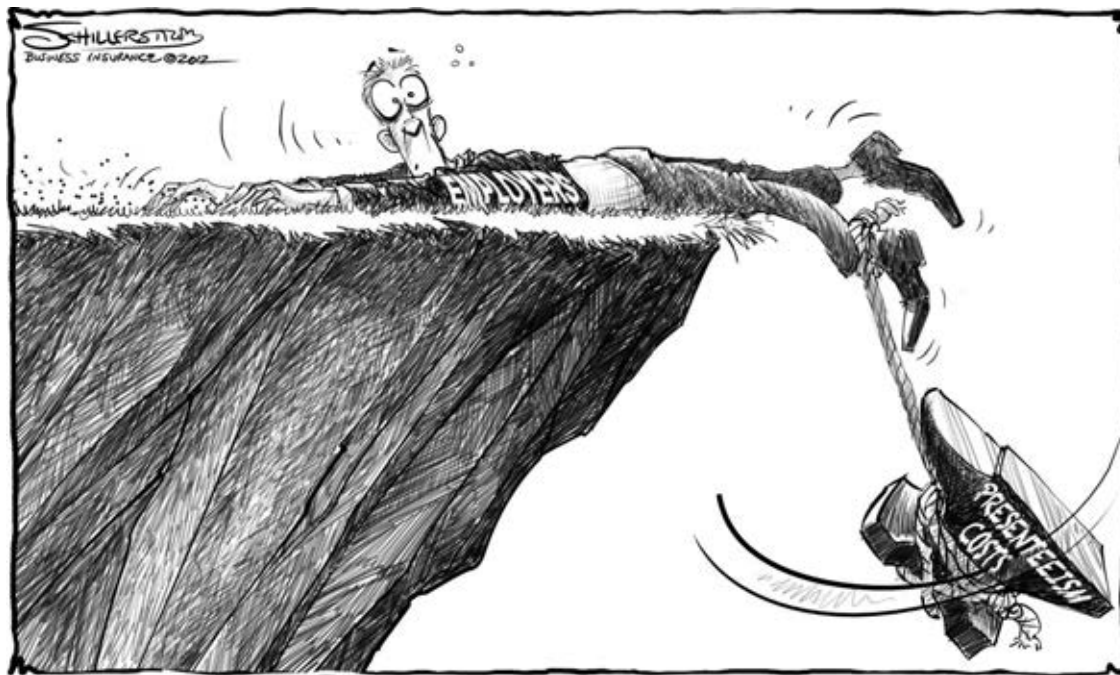
## LETTERS

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## SCHILLERSTROM



## COMMENTARY

## Benefits leaders made a difference

One of the advantages of being a reporter for more than 35 years in Washington is building a network of trusted sources.

On the other hand, a disadvantage of that longevity is losing some of those sources as they retire.

Two longtime sources of mine, a federal benefits regulator and the head of an employer benefits lobbying organization, retired this summer within a month of each other. Together, they had more than 60 years of experience in dealing with benefit issues.

In very different but important ways, Gary Lefkowitz, a benefits regulator at the U.S. Department of Labor, and Mark Ugoretz, the first and only head of the ERISA Industry Committee, made invaluable contributions in the realm of benefit issues.

Mr. Lefkowitz was largely unknown in the benefits community, but he made his mark in the very specialized area of employers' use of their captive insurance companies to fund employee benefit risks.

He wrote a 1979 rule that slightly opened the door to captive benefits funding arrangements. But in 2000, Mr. Lefkowitz, through approval of a funding plan by Columbia Energy Group, opened that door a lot wider. No longer would captives be required — if they met certain conditions — to take on a huge chunk of unrelated business in order for their parents to win regulatory approval to fund corporate benefit risks through their insurance subsidiaries.

The road map Mr. Lefkowitz helped to develop in the Columbia Energy case has since been successfully used by more than two dozen companies, includ-

ing some of the nation's biggest, such as Microsoft Corp. and Google Inc.

To me, Mr. Lefkowitz symbolized the best in a regulator: a willingness to listen, learn and be fair.

Mr. Ugoretz joined the ERISA Industry Committee in 1983 as its first executive director. Previously, the organization's lobbying efforts in Washington had been led by a couple of attorneys.

The lack of a full-time head served the organization and its employer members badly in 1982 when lawmakers steamrolled a tax bill through Congress that had many provisions that were damaging to benefit plans before opponents had time to marshal a counteroffensive.

Mr. Ugoretz was not one to sit and wait. I remember him leading the charge on many benefit issues. The one I remember the best was one of his earliest and ultimately successful lobbying efforts: convincing federal lawmakers to modify a draconian penalty in the original COBRA health care continuation law in which an employer could lose its tax deduction for all its group health care expenses if it failed to properly offer COBRA coverage to a single beneficiary.

I also remember him chewing me out when he thought I made a mistake in covering an issue.

As I'm sure his staff could attest, I was far from being the only victim of Mr. Ugoretz's temper. But to his credit, he never held a grudge, while educating me and helping me to be a better and more informed reporter.

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**JERRY  
GEISEL**  
EDITOR-AT-LARGE



BILL KENEALY

Reinsurers, brokers and other experts held informal meetings in the cafes and hotels around the casino in Monte Carlo, Monaco, last week at the annual Rendez-vous de Septembre. This year's meeting had a subdued tone with many participants expecting stable pricing at year-end renewals.

# Rate increases moderate for most reinsurance lines

*Low investment yields, 2011 cats offset by plentiful market capacity*

By **GAVIN SOUTER** and **BILL KENEALY**

**MONTE CARLO, Monaco** — Most insurers likely won't see significant increases in reinsurance costs at year-end renewals, barring any major catastrophes over the next four months, according to reinsurers, brokers and other experts meeting in Monte Carlo, Monaco, last week.

The sustained increases in property catastrophe reinsurance rates over the past 24 months, which have included rate increases of 40% or more in catastrophe-hit regions and low double-digit increases in the United States, will not be maintained, they say.

While reinsurance capacity is plentiful, the continued influence of 2011 catastrophe losses on the market and low interest rates dampening investment

income likely will stifle attempts by cedents to significantly lower reinsurance rates, they say.

And an uptick in some areas of the primary casualty market may lead to increases in casualty reinsurance rates (see story, page 11).

The overall consensus at the Rendez-vous de Septembre reinsurance meeting, which marks the traditional start of year-end renewal negotiations, was for a largely flat renewal with any movements up or down being confined to a narrow band. But it was unclear whether it would mark the beginning of a period of softening rates or continued pricing stability.

Reinsurance rates for contracts renewing throughout 2011 have seen increases, but rate hikes have been moderating as the year progresses, said Ulrich Wallin, CEO of Hannover Reinsurance Co.

"Provided that there's no significant loss between now and year-end, we expect further moderation,"

See **PROPERTY** next page

*'Provided that there's no significant loss between now and year-end, we expect further moderation.'*

Ulrich Wallin, Hannover Reinsurance Co.

Global Programs Reinsurance: Rendez-Vous Report

# SPOTLIGHT

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# Property: Moderation in rates

CONTINUED FROM PREVIOUS PAGE

he said. Rates likely will vary depending on classes of business, but U.S. catastrophe reinsurance "should see increases of around 5%," Mr. Wallin said.

Demand for catastrophe coverage is increasing over the long term, and prices likely will increase at year-end renewals, said Matthias Weber, group chief underwriting officer at Swiss Re Ltd. "We expect pricing levels in the industry to moderately increase, and we are prepared to employ more capital in property/casualty to support our clients," he said.

But some U.S. catastrophe programs could see modest decreases in rates, said David Priebe, vice chairman of reinsurance broker Guy Carpenter & Co.

"U.S. property cat rates represent the most attractive pieces of business in the world ... the market feels that the margins in that area are attractive," he said.

Noncatastrophe programs, such as aggregate excess of loss programs, still may see some increases, depending on the individual risks, Mr. Priebe said.

"But there is good dialogue between cedents and capital providers on developing program structures and pricing that makes sense," he said.



AP PHOTO

**The March 2011 earthquake and tsunami in Japan caused significant losses for insurers of automakers and other industries. The sustained increases in property catastrophe reinsurance rates over the past 24 months, which have included rate increases of 40% or more for Japanese insurers, will not be maintained, according to reinsurers, brokers and other experts meeting in Monte Carlo, Monaco, last week.**

"On the property side, there were price increases in January, but the increases at July renewals were much lower. It's our hope that we'll see risk-adjusted improvements in terms at Jan. 1, 2013," said Simon Clutterbuck, a director at BMS Intermediaries Ltd., a unit of broker BMS Group Ltd. in London.

But rate decreases may be unlikely despite the rate hikes applied at recent renewals, said James Few, Hamilton, Bermuda-based CEO of Aspen Re and Aspen Bermuda Ltd.

"We achieved rate increases on Jan. 1 and July 1 so, if nothing happens between now and the end of the year, rate increases may be tough to get. But this business is based on low frequency of losses, and people still remember the events of last year, so it's unlikely that we'll see decreases," he said.

And rates in some areas of the world are still inadequate, said Jamie Veghte, executive vice president and CEO of reinsurance operations for XL Group P.L.C.

"We measure rate adequacy by line of business and geography

worldwide. So we have levels of rate adequacy across geographies and lines," he said. "Even with the increases we saw at April 1, I would still say we see the premiums Japanese primaries pay as rate-inadequate."

There is still a need for rate increases on some international property cat programs, said David Cash, CEO of Endurance Specialty Holdings Ltd. in Pembroke, Bermuda.

"There's not enough cat loading on the products that we sell," he said.

In the U.S., property cat reinsurance is "suitably priced," but insurers are still finding it tough to push through increases that they feel are necessary, Mr. Cash said.

For property catastrophe risks in general, the market appears to be a point on equilibrium, said Ed Noonan, chairman and CEO of Validus Holdings Ltd. "I can't say what will happen at Jan. 1, but the market seems to be stable, and we don't hear anyone saying that rates need to be up or down 30%," he said.

Overall rates likely will be up or down 5% at Jan. 1, 2013, renewals, said Steve Hearn, chairman and CEO of Willis Global, which includes the reinsurance brokering operations of Willis Group Holdings P.L.C. "They will be the maximum extremes," he said.

While claims experience over the past two years and poor investment yields will put pressure on underwriters to increase rates, the abundant capacity in the market will hinder any attempts by reinsurers to significantly increase rates, Mr. Hearn said.

Investors continue to find the reinsurance market attractive and have increased the available capacity through investments in sidecars, insurance-linked securities and other investment vehicles, he said (see story, page 12). And other than a significant catastrophe loss, other factors

that would lead to significant rate movements are macroeconomic factors such as a rise in inflation, increased interest rates, or the effect of the eurozone crisis, Mr. Hearn said. "It's not about our industry."

For European risks, reinsurance rates have increased moderately over the past several years, and there may still be some increases at year-end, said Peter Schmidt, Zurich-based CEO of European reinsurance for Catlin Group Ltd.

For example, catastrophe rates in Italy, which has a significant earthquake exposure, may increase further at year-end, but in general "we have a rather stable market," he said.

The current low-interest-rate environment will be a key factor preventing significant rate decreases in all major coverage lines.

With most reinsurers maintaining conservative investment strategies and bond yields at historic lows, reinsurers are forced to keep rates sufficiently high over the long term to ensure adequate underwriting profits, they say, though some hedge fund-backed reinsurers are taking a more aggressive investment strategy as they seek to increase returns (see story, page 15).

The majority of reinsurers that invest mainly in bonds, however, could be facing a low-interest-rate environment for five to seven years, according to Dominic Crawley, global head of financial services rating at Standard & Poor's Corp. in London.

The interest rate outlook has significant ramifications for reinsurers, said Neil Maidment, chief of underwriting at Beazley Group P.L.C. in London.

"Property cat is particularly important in terms of loss contribution, but at the end of the day it's a \$15 billion to \$20 billion market out of a trillion-dollar global insurance industry. If rates go up or down a couple of points in Florida, I'm not sure it is as important as the fact that U.S. treasuries are not paying all that much."

And past rate increases will not make up for the difficult investment conditions, said Michel Lies, CEO of Swiss Re.

"The current rate increases are insufficient to offset past deficiencies and low interest rates," he said.

If interest rates are maintained, Hannover Re expects to see its investment results deteriorate by 10 basis points a year as its bond portfolio matures and it reinvests with lower-yielding bonds, said Mr. Wallin.

"We have to take that into account when we quote the business," he said.

Property catastrophe reinsurers are particularly restricted when it comes to investment options, said Validus' Mr. Noonan.

"From the day we started, we said that if you are going to be in the cat business you can't take investment risk. We only invest in high-quality securities without much liquidity risk, so we have to generate profits from underwriting," he said.

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# Reinsurers weigh challenges, opportunities in casualty

By **BILL KENEALY** and  
**GAVIN SOUTER**

**MONTE CARLO, Monaco** — Casualty lines represent a near-term challenge and a long-term opportunity for reinsurers, executives said at the Rendez-vous de Septembre reinsurance meeting in Monte Carlo, Monaco, last week.

The immediate challenges facing casualty lines result from forces inside and outside of the industry, they said. The persistent low interest rates in developed economies has sapped investment yields, making long-tail lines of business such as casualty more risky, said Michel Lies, CEO of Zurich-based Swiss Re Ltd. "Historically low interest rates are one of our main challenges," Mr. Lies said.

Moreover, the duration inherent in long-tail lines exposes reinsurers to political risk, said Torsten Jeworrek, CEO of reinsurance for Munich-based Munich Reinsurance Co. For example, reinsurers writing business in certain areas of the European Union face the remote prospect of accepting premiums in one currency and being forced to pay claims in a different currency, Mr. Jeworrek said, adding such considerations are reflected in pricing.

"The longer the tail of the business, such as the casualty business, the more conservative our pricing approach," he said.

Economic and political uncertainty, paired with what many reinsurers see as insufficient rates, have caused reinsurers to temporarily pull back in casualty.

Matthias Weber, group chief underwriting officer for Swiss Re, said his company has reduced its casualty business over the past several years due to the low rates, but the reinsurer would be ready to increase its casualty book if rate increases are pushed through.

Likewise, Jamie Veghte, executive vice president and CEO of reinsurance operations for Hamilton, Bermuda-based XL Group P.L.C., said his company is turning down business in certain areas of casualty where the price did not match the risk.

"My concern with the long-tail markets is that while we have definitely seen improvement, I am worried that the glide path is truncated and short-lived," Mr. Veghte said. "I take no joy in shrinking a (line of) business, but the economic realities of that business are, in our judgment, inadequate for our shareholders."

Also clouding the pricing picture in casualty lines is the fact that many primary insurers have significantly increased their retentions for casualty business, further decreasing demand for casualty reinsurance, said John Berger, chairman and CEO of Third Point Reinsurance Ltd., a Pembroke, Bermuda-based hedge fund-backed reinsurer that began writing business this year.

"The amount of casualty reinsurance being bought has really

gone down, and there's a disconnect between what people will pay and the risks they want us to take on," Mr. Berger said.

Simon Clutterbuck, a director of BMS Intermediaries Ltd., a unit of broker BMS Group Ltd. in London, said he expects a mixed bag during upcoming casualty renewals. "There have been recent increases for tougher lines such as financial institutions, but workers comp and medical malpractice, for example, have been very flat," Mr. Clutterbuck said. "And on a case-by-case basis, there have been reductions."

Another mitigating factor for casualty is the release of redundant casualty reserves. Many companies relied on reserve releases to compensate for substandard underwriting results, said Robert DeRose, vice president of reinsurance ratings for Oldwick, N.J.-based A.M. Best Co.

"Without the releases, we would have seen many more combined ratios above 100%," he said.

However, Christian Mumenthaler, CEO of reinsurance at Swiss Re, said reserve releases were unlikely to continue for much

longer, noting some companies have been releasing reserves for relatively recent underwriting years. "The momentum is decelerating ... it's possible that there's one more year, but three years is unlikely," Mr. Mumenthaler said.

Slowing reserve releases coupled with ongoing low interest rates may spur higher casualty rates, said James Few, CEO of Aspen Bermuda Ltd. and Aspen Reinsurance in Hamilton, Bermuda.

"For long-tail business, we need to see more rate increases," Mr. Few said. "While there's been a

general improvement in primary casualty in most areas of the world, reserve releases are running out and investment yields are likely to be low for some time."

David Cash, CEO of Endurance Specialty Holdings Ltd. in Pembroke, Bermuda, said the primary market is seeing casualty line price increases, and the reinsurance market usually follows the primary market more closely on casualty lines than property lines.

"It's clear that the market is trying to move toward price increases," he said.

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# Reinsurers embrace growing alternative funding methods

*Cat bonds, sidecars and more provide faster capital 'reload'*

By **BILL KENEALY**  
and **GAVIN SOUTER**

**MONTE CARLO, Monaco** — With increased alternative reinsurance capacity from financial markets entering the reinsurance sector over the past year, executives at the Rendez-vous de Septembre gathering discussed its effect on the market during last week's meeting in Monte Carlo, Monaco.

The reinsurance industry largely regards the ongoing influx of capital by alternative funding means such as catastrophe bonds, sidecars and collateralized reinsurance as a positive, said Paul Schultz, president of Aon Benfield Securities, a unit of London-based Aon P.L.C.

Once regarded as esoteric and risky, capital raised for insurance-linked securities provides balance to the reinsurance market and likely will not cannibalize traditional reinsurance, Mr. Schultz said.

"More or less, the reinsurance market has embraced this rather than viewing it as a threat," Mr. Schultz said.

Speaking at a media briefing,

Michael D. O'Halleran, executive chairman of reinsurance intermediary Aon Benfield, said alternative capital now constitutes roughly 15% of the reinsurance market.

"It's not alternative capital anymore; it's part of who we are," Mr. O'Halleran said.

The speed at which alternative capacity can enter the market in the wake of disasters is vital to the

**'It's not alternative capital anymore; it's part of who we are.'**

Michael D. O'Halleran, Aon Benfield

industry's ability to absorb large losses, Mr. O'Halleran said. "The traditional reinsurance market would not be able to reload as fast without it," he said. "We would be in much more dire straights."

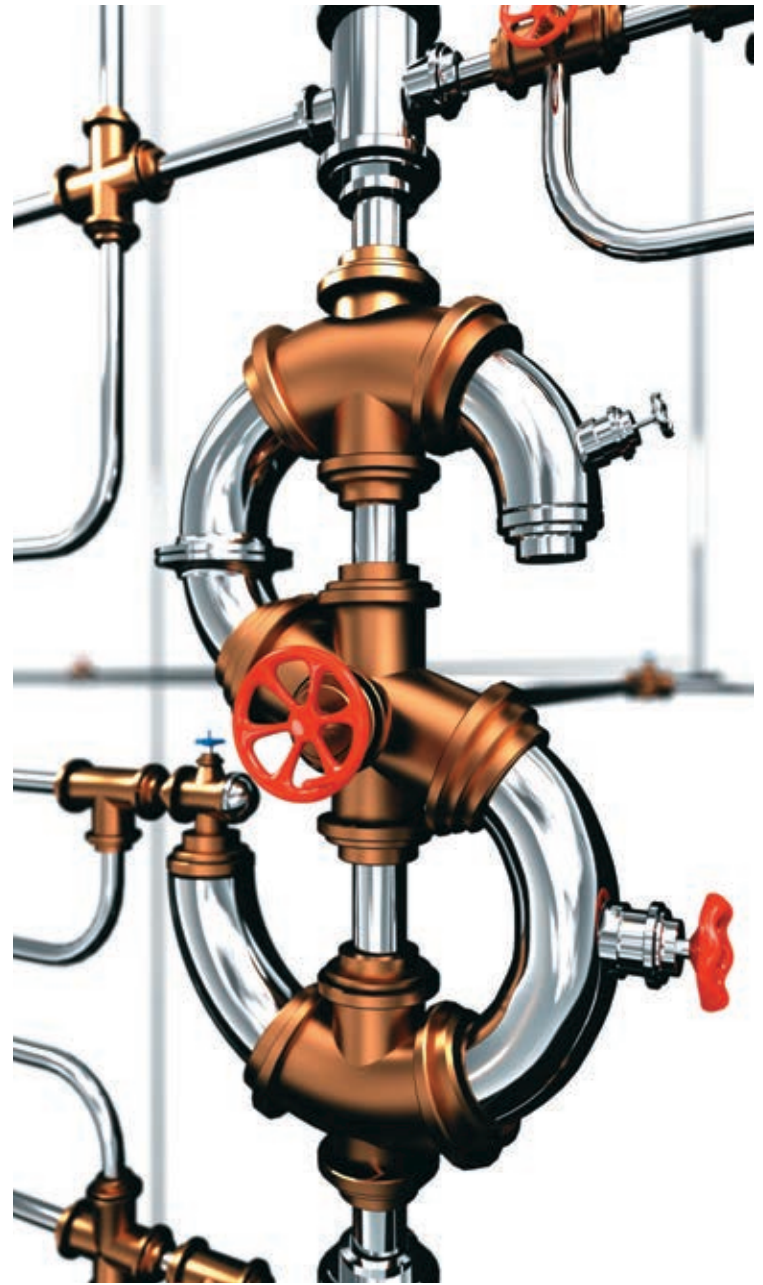
David Priebe, vice chairman of reinsurance intermediary Guy Carpenter & Co., a unit of New York-based Marsh & McLennan Cos. Inc., said that as of midyear, \$34 billion in capacity in reinsurance and retrocessional markets came

from nontraditional sources. The growing competition in the non-traditional market also has lowered its price relative to traditional reinsurance, helping blur the once-stark distinction between the two markets among buyers.

"The market has converged," Mr. Priebe said. "Price differences have narrowed, new markets are more competitive and providing large amounts of capacity, basis risk is better understood, execution of transactions are smoother, quicker and cheaper."

Steve Hearn, chairman and CEO of Willis Global, which includes most of the reinsurance brokerage operations of London-based Willis Group Holdings P.L.C., said that while the price difference between ILS products and traditional reinsurance has narrowed, traditional reinsurance remains less expensive. He added that while most reinsurance buyers now review the nontraditional reinsurance products as they consider their options, "whether they buy them or not is another matter."

Moreover, Brian Schneider, a senior director at Fitch Inc. in Chicago, said although alternative reinsurance products have helped hold down pricing of traditional reinsurance this year, cat bonds in particular remain more expensive



than traditional coverage.

Nonetheless, Mr. Schneider said alternative reinsurance products are a permanent part of the market.

Mr. Schultz agreed, noting that the use of insurance-linked securities as a source of capacity is likely to grow as primary insurers look to diversify their reinsurance programs.

Indeed, large buyers now view the whole range of programs that include traditional reinsurance, ILS, sidecars and other nontraditional products as part of core reinsurance or retrocessional coverage, Mr. Priebe said, adding that buyers like the access to large capacity, collateralization of protection and diversification of credit risks that nontraditional reinsurance provides.

Alternative reinsurance providers are a viable option for many reinsurance buyers, said Simon Clutterbuck, a director at BMS Intermediaries Ltd., a unit of broker BMS Group Ltd. in London.

"There was a time when they were only interested in super large clients or tough clients, but we have a lot of regional clients and they are now being much better served by the alternative market," he said.

However, Mr. Clutterbuck said fear about the permanency of alternative reinsurance vehicles persists among some buyers.

"There's more volatility and probably less longevity in the sidecar market, although, to be fair, some have been around for a long time," he said. "In general terms,

(sidecars) tend to be more interested in one-off deals than the subscription market."

David Cash, president and CEO of Pembroke, Bermuda-based Endurance Specialty Holdings Ltd., said the difficulty of providing reinstatement provisions, which enable cedents to automatically buy additional coverage if they suffer a large catastrophe loss, is a limitation of alternative reinsurance products.

"Most of our clients want to buy reinstatements, and it's hard for collateralized players to offer that," Mr. Cash said. "We don't view them as a serious competitive threat, but they have a role to play in the peak risk areas where clients need to buy a lot of limit but the pricing is high, such as in Florida."

Likewise, James Few, Bermuda-based CEO of Aspen Reinsurance, a unit of Aspen Insurance Holdings Ltd., said he expects the effect of capital market products to be concentrated in certain lines of business rather than the broader reinsurance market.

"There's a lot of talk about capital coming into the market, but much is coming from life companies and pension funds who are looking for better yields," Mr. Few said. "They are targeting specific products, typically peak-zone retro business, and looking for a fair return."

Fitch's Mr. Schneider said that with ample capacity in the reinsurance sector, alternative reinsurance transactions likely will diminish.

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# Validus bid for Flagstone unlikely to start trend

*M&A uptick possible, but stable market could deter deals*

By **GAVIN SOUTER**  
and **BILL KENEALY**

**MONTE CARLO, Monaco** — Despite Validus Holdings Ltd.'s bid for rival reinsurer Flagstone Reinsurance Holdings S.A. late last month, there's unlikely to be a rash of other deals in the reinsurance industry during the next few months, most reinsurers, brokers and other experts say.

That's not to say that consolidation would not be a logical consequence of the plentiful capacity, low valuations of reinsurers and stagnating rates.

But few forces are compelling reinsurers, their boards and managements to look for merger or acquisition opportunities. Most reinsurers are performing moderately well and likely don't see a need to seek a buyer; and reinsurer stock prices are relatively low, which may limit reinsurers' ability to use their own stock to buy rivals, reinsurer executives say.

But a lack of organic growth could stimulate more M&As, some observers say.

The announcement by Validus a week prior to the Rendez-vous de Septembre of its proposed \$620 million of Flagstone led to some speculation among participants at the annual meeting of reinsurance executives in Monte Carlo, Monaco, about the possibility of more deals being sealed over the next few years.

But many of the experts say they don't see a trend emerging.

Ed Noonan, chairman and CEO of Validus, said the Pembroke, Bermuda-based reinsurer, which has made several acquisitions since its formation in 2005, is not actively looking for further deals. But if a potential target operates in an area "we understand and do well in and it would help us grow our business, there's no reason why we shouldn't take it on," he said.

The Flagstone deal fits those criteria, as it would significantly increase Validus' size and add to its existing book of property catastrophe business, Mr. Noonan said.

"We can put the two portfolios together and put on hundreds of millions of dollars of catastrophe business. ... If you are in the catastrophe business, you want to be important to the sector because you want to offer comprehensive solutions to brokers and customers," Mr. Noonan said.

The deal made financial sense for Validus, as it paid less than book value for Flagstone, and the deal will take its capital base to more than \$4 billion, said Brian Schneider, senior director at Fitch Inc. in Chicago.

"There are a lot of benefits to scale in the property cat and Bermuda market generally," he said. "At some point, the advantages of scale will drive fewer play-

ers in the Bermuda market."

While more mergers and acquisitions may make economic sense, few deals are being completed, said David Priebe, vice chairman of Guy Carpenter & Co. in New York. "Buyers and sellers need to get to a point where it makes sense for both parties. They need the right cultural fit as well as the proper economic fit."

The current trading values of reinsurers make deals harder to achieve, said Jamie Veghte, CEO of reinsurance operations at XL Group P.L.C.

With companies trading at less

than book value, it makes it harder for them to complete deals, he said.

In addition, several executives said that entrenched managements and entrenched boards on companies that are performing well financially are unlikely to aggressively pursue mergers or acquisitions.

But Paul Schultz, president of Aon Benfield Securities, a unit of London-based Aon P.L.C., said with organic growth hard to come by, acquisitive growth may be a more viable path for reinsurers. "To grow organically takes too long and is too expensive."

"We believe this will be an active (season) for M&A. Funds from private equity will help drive the deals," he said.

And some executives said there are business niches where they would be interested in completing a deal if a suitable target company were available.

"We are not looking for pure financial transactions at this point in time, but we would be interested in something on the life side, but not on the nonlife side, as we have good organic growth in that business," said Ulrich Wallin, chairman of Hannover Reinsur-

ance Co. A life reinsurer in Germany would be a particularly attractive acquisition target, he said.

Endurance Specialty Holdings Ltd. might be interested in buying a medical malpractice insurer that specializes in physicians, said David Cash, its Pembroke, Bermuda-based CEO.

"We have a large practice for large health care institutions, and they are increasingly employing physicians ... so it's a question of whether we grow that business ourselves or whether we buy," he said.



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Ingo Zimmermann, Head of EADS Corporate Insurance Risk Management

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# Modelers learn lessons from 2011 catastrophes

*Earthquake, flooding force firms to focus on supply chain risks*

By BILL KENEALY

**MONTE CARLO, Monaco**—Advancing technologies, new laws and historic catastrophe losses in 2011 are altering the manner in which reinsurers interact with catastrophe modeling firms, executives said this week at the annual Rendez-vous de Septembre reinsur-

ance gathering.

The geographic breadth of disasters that struck in 2011 was instructive to insurers and modeling firms, said S. Ming Lee, president and CEO of Boston-based AIR Worldwide Corp.

"It's becoming clear that there are large losses that happen outside of peak zones," Mr. Lee said during the Monte Carlo, Monaco, meeting.

The complex chain of events that unfolded in the wake of flooding in Thailand floods and the earthquake and tsunami that

struck Japan spurred his firm to develop models that will help reinsurers quantify risk surrounding supply chains and business interruption, he said.

William M. Keogh, president of Oakland, Calif.-based Egecat Inc., noted that many of the most severe losses borne by reinsurers in the past several years have resulted from unmodeled risk.

"The Thai floods were not on a lot of people's radar," Mr. Keogh said. "Some people presume that if there isn't a model, there isn't a risk. Nothing could be further from the truth."

## Transparency expected

Hemant Shah, president and CEO of Newark, Calif.-based Risk Management Solutions Inc., said one lasting result from the past several years is that reinsurers now expect more transparency from modeling firms.

In addition to providing clients with more disclosure and descriptions of the data-based assumptions made in the models, RMS is providing more visibility into its research and development roadmaps.

"Clients can now take control of more of the assumptions of themselves and account for them in their risk management practices," Mr. Shah said.

"The demand for greater transparency is happening throughout the insurance food chain," Mr. Lee added.

Jayanta Guin, a senior vice president at AIR Worldwide, noted that under the forthcoming Solvency II requirement in the European Union, risk managers at insurers and reinsurers will need to "own" the risks in their operations.

"It's not enough anymore to just say that you are using a model and treat it as a black box," Mr. Guin said. "So we are encouraging our clients to question the model, and dig in to the details and understand the uncertainty in the models."

One result of the trend toward ownership of risk by insurance and reinsurance companies is that they are running catastrophe and other risk models with increased frequency, Mr. Lee said.

"It used to be the models were run annually or quarterly," he said. "Now, they are run monthly or weekly as the role of analytics takes on much more importance inside companies."

Robert Muir-Wood, chief research officer at RMS, said this speeding up of the risk modeling processes may have profound implications on the operational aspects of reinsurance, much as high-frequency trading has altered the stock markets. Currently, risk managers may base decisions on information that is



AP PHOTO

After the flooding in Thailand last year, catastrophe modeling firms and their reinsurer clients have put more emphasis on trying to calculate supply chain and business interruption risks.

many months old, whereas real-time risk assessment may someday enable insurers and reinsurers to manage their risks much more nimbly and granularly.

"The buildup to a renewals period currently happens in slow

**'It's not enough anymore to just say that you are using a model and treat it as a black box. So we are encouraging our clients to question the model, and dig in to the details and understand the uncertainty in the models.'**

Jayanta Guin, AIR Worldwide

motion, partially because people can't get a handle at looking at all their risks in real time," Mr. Muir-Wood said. "Simply speeding things up is really going to be transformative for the reinsurance market."

Mr. Shah said that his firm is

positioning itself to furnish clients not just with models, but also with an overarching risk management technology framework capable of handling big data.

"The era of insurers and reinsurers building ad hoc tools to run ad hoc processes to run models is quickly coming to an end," Mr. Shah said. "Insurers and reinsurers are looking to systematically embed analytics into their workflows. This requires a redo of system architectures and an ability to operate platforms at scale."

The elasticity and scalability inherent in cloud computing is well-suited for the task, Mr. Shah added.

Mr. Lee added that AIR offers a hosted version of its models, as well as versions that can run in clients' internal clouds as well as third-party clouds.

Mr. Keogh said considerations of how insurers and reinsurers would "operationalize" the models guided development of Egecat's new core platform, risk quantification and engineering. In addition to updating 77 of the company's 180 models to coincide with the platform, the company's also focused on data integration issues.

"Usability and integration are now the focus," he said. "It's almost assumed at this point that you have a good (modeling) methodology."

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### LEGAL NOTICE

#### IN THE MATTER OF THE LIQUIDATION OF THE INSURANCE CORPORATION OF NEW YORK Supreme Court County of New York Index No.: 401477/09 NOTICE

Pursuant to an order of the Supreme Court of the State of New York, County of New York ("Court"), entered on March 10, 2010 ("Liquidation Order"), the then-Superintendent of Insurance of the State of New York and his successors in office were appointed as liquidator ("Liquidator") of The Insurance Corporation of New York ("InsCorp") and, as such, has been directed to take possession of InsCorp's property, liquidate its business and affairs, and dissolve its corporate charter pursuant to Article 74 of the New York Insurance Law ("Insurance Law"). The Superintendent of Financial Services of the State of New York has now succeeded the Superintendent of Insurance as Liquidator of InsCorp. The Liquidator has, pursuant to Insurance Law Article 74, appointed Michael J. Casey, Acting Special Deputy Superintendent of Financial Services ("Acting Special Deputy"), as his agent to liquidate the business of InsCorp. The Acting Special Deputy carries out his duties through the New York Liquidation Bureau, 110 William Street, New York, New York 10038. The Liquidator has submitted to the Court a verified petition ("Verified Petition") seeking an order: (i) approving the Liquidator's report on the status of InsCorp's liquidation proceeding ("Liquidation Proceeding"); (ii) establishing December 31, 2012, as the bar date ("Bar Date") for presentation of all claims other than claims for administrative costs and expenses; (iii) authorizing and directing the Liquidator to consider only those claims for actual losses arising under policies issued by InsCorp that are presented to the Liquidator on or before the Bar Date; (iv) barring and discharging all claims for losses reported after the Bar Date; (v) authorizing the continued payment of administrative costs and expenses; (vi) authorizing the Liquidator to distribute InsCorp's assets, consistent with this Court's orders and the priorities set forth in Insurance Law Section 7434, to those creditors of InsCorp with allowed claims, to the extent that, in the Liquidator's discretion, sufficient funds are available; (vii) extending judicial immunity to the Superintendent in his capacity as Liquidator of InsCorp, his successors in office and their agents and employees, for any cause of action of any nature against them, individually or jointly, for any act or omission when acting in good faith, in accordance with the orders of this Court, or in the performance of their duties pursuant to Insurance Law Article 74; and (viii) providing for such other and further relief as this Court deems appropriate and just.

A hearing is scheduled on the Verified Petition on the 25th day of October, 2012, at 10:00 a.m., before the Honorable Joan M. Kenney, JSC, New York Supreme Court at the Courthouse, IAS Part 8, 71 Thomas Street, Room 304, in the County, City and State of New York, 10013. If you wish to object to the Verified Petition, you must serve a written statement setting forth your objections and all supporting documentation upon the Liquidator and Clerk of the Court, at least seven business days prior to the hearing. Service on the Liquidator shall be made by first class mail at the following address:

Superintendent of Financial Services of the State of New York as  
Liquidator of The Insurance Corporation of New York  
110 William Street  
New York, New York 10038  
Attention: John Pearson Kelly  
General Counsel

In order to participate in InsCorp's liquidation proceeding, all claims, with all supporting documentation, must be presented to the Liquidator on or before the Bar Date, which is the last date set by the Court to present claims in InsCorp's liquidation proceeding.

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

Requests for further information should be directed to the New York Liquidation Bureau, Creditor and Ancillary Operations Division, at (212) 341-6665.

Dated: August 28, 2012

Benjamin M. Lawsky  
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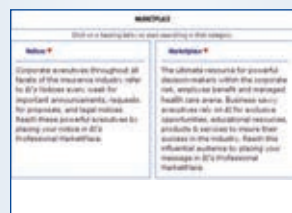
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# Hedge fund backing offers reinsurers aggressive capital base

By GAVIN SOUTER

**MONTE CARLO, Monaco** — John Berger has been attending the Rendez-vous de Septembre for years, but he came with a new purpose to the 2012 gathering.

The longtime reinsurance executive, who helped launch F&G Re 1983 and launched Chubb Re in 1998, now heads hedge-fund backed reinsurer Third Point Reinsurance Ltd., which launched in January.

Third Point Re is one of a handful of hedge fund-backed reinsurers that have launched in the past few years, including Greenlight Capital Re Ltd. in 2004 and SAC Re Ltd., which launched this year.

As a result of its backing by New York-based hedge fund Third Point L.L.C., the Bermuda-based reinsurer is taking a different approach to business than most traditional reinsurers, Mr. Berger said. Rather than taking significant risk on the underwriting side, Third Point will take most of its risk on the investment side by pursuing an aggressive investment strategy.

Unlike many reinsurers in Bermuda, Third Point will not write property catastrophe business. Instead, it will concentrate on lines such as workers compensation, Florida homeowners quota share reinsurance, nonstandard auto and crop coverage, Mr. Berger said. Typical cedents are smaller insurers that need reinsurance backing to write their business, he said.

The strategy should allow the

reinsurer to operate differently than many competitors, he said.

“How do you grow underwriting today? It’s very competitive, so analysts want you to give back capital (to shareholders). But our capital is fully deployed on the investment side,” he said.

The aggressive investment strategy, which contrasts with the conservative investment strategy of most reinsurers, could lead to other products, Mr. Berger said.

“Companies are earning no money on their investments now, so maybe we could design products where they share in invest-

**‘How do you grow underwriting today? It’s very competitive, so analysts want you to give back capital (to shareholders). But our capital is fully deployed on the investment side.’**

John Berger, Third Point Reinsurance Ltd.

ment income,” he said.

Third Point has \$800 million in capital and an A- rating from A.M. Best Co. Inc. To reassure cedents that might be concerned that

Third Point is taking too big a risk on the investment side, Mr. Berger said the reinsurer will limit its premium writings to what a reinsurer with only about \$550 mil-

lion in capital would write. As a startup, Mr. Berger said the company expects to write about \$140 million in premiums in 2012.

The company also sees potential to grow in the London market and is taking on Clare Himmer, formerly of Allied World Assurance Co. Ltd. in Bermuda, to open a London office. Ms. Himmer will be a managing director of Third Point Re and officially starts on Nov. 1.

The London office will seek to access business with predictable cash flow and predictable volatility, which could include U.K. auto coverage, Mr. Berger said.



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## RENDEZ-VOUS DRAWS 2,600 ATTENDEES

**MONTE CARLO, Monaco** — About 2,600 reinsurance industry professionals attended the 56th Rendez-vous de Septembre held in Monte Carlo, Monaco, Sept. 8-13, according to the event's organizers.

The gathering marks the traditional beginning of year-end renewal discussions for the international reinsurance industry.

Reinsurers, brokers and other reinsurance service providers hold one-on-one and small group meetings at cafes, hotel lobbies and private suites in the buildings around the famous Monte Carlo Casino.

Although large contingents of executives travel to Monte Carlo from Bermuda, France, Germany, Switzerland, the United Kingdom and the United States, the meeting attracts attendees and interest from numerous other countries around the world.

Next year's Rendez-vous will take place Sept. 7-12, 2013. For more information, visit [www.rvs-monte-carlo.com](http://www.rvs-monte-carlo.com).

— By Gavin Souter

# Products & Services

## Beazley adds features to data breach response

Beazley P.L.C. has added features to its data breach response product, Beazley Breach Response, including credit and identity monitoring.

The additions are provided by Experian Data Breach Resolution, the insurer said in a statement. The service from Experian Information Solutions Inc. offers identity protection tools and a data monitoring service.

In addition, limits on many Beazley Breach Response services have been increased. In a breach, the number of customer notifications covered has been increased to five million individuals. The service also is available to retail and hospitality organizations with revenue up to \$4 billion, up from

the previous limit of \$3 billion.

Additionally, the program's attorney services retention has been lowered to \$5,000 from a previous \$10,000 to \$20,000.

Notification limits range from 250,000 to five million individuals covered, and a separate liability for third-party claims is available from \$1 million to \$15 million. BBR Select also offers lower notification and liability limits to smaller companies.

For information, contact Paul Bantick at [paulbantick@beazley.com](mailto:paulbantick@beazley.com).

## Trace International releases compliance tool

Trace International Inc. has rolled out a due diligence and compliance system for multinational companies and intermediaries.

Trace, the nonprofit member-

ship association that develops anti-bribery solutions for the two groups, launched the new Trace Registered Access Code supply chain due diligence platform.

The system issues 12-digit TRAC numbers to third-party companies to allow better transparency during the due diligence process. The TRAC system shows whether a contracted company is compliant with government regulations. The number also can track anti-bribery compliance as well.

An online profile includes an intermediary's ownership, headquarters, association with other companies and its appearance on any government sanction lists. If certain important information is changed, a TRAC holder may need to reapply for a number or be re-reviewed by Trace.

TRAC is based on today's social media systems, said Alexandra A. Wrage, president of Trace. TRAC holders have control over which companies can access their profiles and can use the system to reduce the amount of paperwork they send out.

The cost of looking up an organization's TRAC number is free, but TRAC holders must pay an \$80 annual fee. For more information contact, Ms. Wrage at [wrage@traceinternational.org](mailto:wrage@traceinternational.org).

## GJS Re opens facultative unit

G.J. Sullivan Co. Reinsurance has launched a facultative reinsurance unit.

The group offers property facultative reinsurance to select clients nationwide, the reinsurance brokerage arm of Sullivan Group said.

John W. Threlfall heads GJS Re Facultative in Essex, Conn. Previously, he was executive vice president at Atlantic Intermediaries L.L.C.

"We have been looking for the right way to expand into the facultative area," said Hank Halde- man, president of GJS Re and executive vice president of the Sullivan Group, said in a statement. "It's a natural complement to our existing presence in the wholesale brokerage, underwriting and treaty reinsurance intermediary practices. We are delighted to be able to join forces with John to make that happen."

## Hanover Stone launches captive advisory services

Hanover Stone Partners L.L.C. has launched a practice offering advisory and other services to captives and their parent organizations.

Hanover CaptiveGuard offers strategic and financial reviews for captives' underwriting portfolios. Other resources include evaluating captive management companies' performance, actuarial reviews, regulatory compliance, and facultative and treaty reinsurance reviews.

As captives have become more complex, they require more robust oversight and governance, John J. Kelly, founder and managing partner of Hanover Stone Partners, said in a statement.

For information, contact Mr. Kelly at 646-216-2181 or [john.kelly@hanoverstonepartners.com](mailto:john.kelly@hanoverstonepartners.com).

# UP COMINGS & GOINGS CLOSE



## SCOTT MISSON

**NEW JOB TITLE:** New York-based global practice leader at Miami-based Howden Specialty Underwriters L.L.C., a unit of London-based Dual International Ltd.

**PREVIOUS POSITION:** New York-based divisional president, Navigators Pro, a division of Navigators Insurance Co.

**LOOKING FORWARD TO:** I am looking forward to building out the New York City office for Howden Specialty, creating brand recognition through management and professional liability products.

**CHALLENGES FACING INDUSTRY:** Pricing continues to be a problem for the insurers of management and professional liability products. Additionally, exposures continue to develop and policy forms will continue to be tested.

**INDUSTRY OUTLOOK:** The outlook for the industry is positive. Rates continue to move in a positive direction.

**BEST THING ABOUT A BAD ECONOMY:** The best thing about a bad economy is that opportunities arise for writing new business due to buyers looking for alternatives.

**FIRST EXPERIENCE IN JOB MARKET:** My first experience in the job market was working for Tokio Marine & Fire as a reinsurance accountant.

**COLLEGE MAJOR:** Finance.

**ADVICE:** Be persistent. You never know what will turn into an opportunity for you.

**OUTSIDE THE INDUSTRY, A DREAM JOB:** Working for a nonprofit organization that builds homes for those in need.

**HOBBIES:** Playing sports and watching my kids at their sporting events.

**FAVORITE BOOK:** "The Killer Angels" by Michael Shaara.

**CAN'T-MISS TELEVISION SHOW:** Typically a home-improvement show.

**FAVORITE MEAL:** Spaghetti and meatballs.

**ON A SATURDAY AFTERNOON:** Playing basketball.

**EMAIL OR PHONE, AND WHY:** While both have their importance, I prefer phone as it is more personable.

# Comings & Goings

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8:15 - 8:30 a.m.	Welcome Address
8:30 - 9:30 a.m.	Session 1: A Juggling Act: Achieving Effective Work Life Balance
9:30 - 10:00 a.m.	Keynote Speaker: Suzy Welch, author, "10-10-10"
10:00 - 10:30 a.m.	Coffee Break and Book Signing
10:30 - 11:15 a.m.	Session 2: Show Me the Money: Bridging the Wage Gap
11:30 - 12:00 p.m.	Registration for Awards Luncheon Open [for people only attending the luncheon]
11:15 - 12:30 p.m.	Session 3: Using Sponsorship to Break into the Executive Suite
12:30 - 2:55 p.m.	Women to Watch Awards Luncheon
1:00 p.m.	Luncheon Keynote: <i>Tweet this: How Social Media can Make or Break Your Reputation</i>
3:00 p.m.	Final Comments & Program Closes

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# Perspectives

With employee retaliation claims rising, employers need to make sure they are in compliance with all applicable federal and state laws that offer worker protections. Jeanne Oronzio Wermuth of The Graham Co. discusses the activities that constitute retaliation, as well as what employers can do to avoid putting themselves in that position in the first place.

## Retaliation claims require awareness of legal details

By Jeanne Oronzio Wermuth

**R**etaliation in the workplace is illegal, yet the statistics show that these incidents continue to occur at an increasing rate.

There has been a marked increase in the number of retaliation charges and lawsuits over the last 10 years. The number of retaliation-related claims made to the U.S. Equal Employment Opportunity Commission alone has increased almost 70%, to 36,258 in 2010 from 21,613 in 2000. And the number of claims increased to 37,334 in fiscal year 2011, a 72.7% increase.

Incidents of retaliation in the workplace should be a major concern for employers. The potential cost to employers includes not only legal fees, potential damages and time expended to defend their organizations, but could also include damage to reputation as an employer and to employee morale.

Even though you can largely insure this risk, the best recommendation would be to avoid incidents of retaliation in the first place. In order to avoid the risk, you must first have an understanding of what retaliation means.

### What is retaliation?

Employees are protected from certain types of discrimination in the workplace through various federal and state laws. The main federal laws that employees look to for this protection are Title VII of the Civil Rights Act of 1964 (as amended), the Equal Pay Act of 1963, the Age Discrimination Act of 1967, Title I of the Americans with Disabilities Act of 1990 and the Genetic Information Nondiscrimination Act of 2008.

Not only do these laws protect employees from acts of discrimination based on race, gender, religion, disabilities, age and so on — these laws make it illegal to fire, demote, harass or otherwise “retal-

iate” against an employee or applicant because they filed a charge of discrimination or participated in a discrimination investigation or lawsuit, whether against you or a former employer, according to the EEOC.

For instance, you cannot demote an employee solely because that employee filed a complaint with the EEOC alleging racial discrimination.



Ms. Wermuth

Now take it one step further. The U.S. Supreme Court ruled in *Thompson v. North American Stainless* in January 2011 that this protection extended to a man who was fired from his job just three weeks after his fiancée filed an EEOC complaint against their mutual employer alleging sexual discrimination.

Allegedly, the employee was fired to dissuade his fiancée from continuing with her complaint. The U.S. Supreme Court ruled that the employee has standing to sue the employer as an “aggrieved” individual under Title VII of the Civil Rights Act.

Retaliation claims also could stem from alleged adverse actions against an employee resulting from other types of activities like “whistle-blowing” or filing a workers’ compensation claim. For example, suppose an employee submits a complaint to the Occupational Safety and Health Administration with regard to

safety hazards in their workplace. If that employee is subsequently harassed by their supervisor as a result of that complaint, the employee may have a legitimate retaliation claim.

A successful retaliation claim generally includes an “adverse action” against a “covered individual” engaged in a “protected activity,” as well as a causal connection between the adverse action and the protected activity.

Adverse actions include, but are not limited to, refusal to hire, demotion, refusal to promote, harassment, negative performance evaluations, reprimands, termination or a change in hours.

Protected activities include opposing unlawful practices, requesting accommodations as permitted under the law or participating in proceedings related to these unlawful practices.

Covered individuals would include employees who engage in “protected activities” and, as we saw in *Thompson*, may also include individuals who are closely related to these employees.

### EEOC procedures

If a retaliation claim involves adverse actions related to a protected activity that falls under a law enforced by the EEOC — such as sexual harassment under Title VII, for example — an individual typically has 180 days to file a charge. From there, a set procedure for resolving the issue will commence.

If, upon investigation, the EEOC does not reasonably believe that discrimination has occurred, the employee will be given the right to sue in federal court within 90 days of receipt of that notice. If, upon investigation, the EEOC does believe there was discrimination, the parties will commence an informal conciliation.

If that is not successful, the EEOC has the right to sue the employer. If they do not choose to sue, the EEOC will transfer that right to sue to the employee. Again, the employee has 90 days to

sue the employer in federal court.

States generally offer similar protections to employees with similar procedures for enforcement.

### Am I covered?

Most well-written employment practices liability policies will cover damages and defense costs incurred by an insured person, including directors and officers; leased, temporary or permanent employees; and some volunteers or independent contractors, or an insured entity for most types of retaliation claims.

However, you and your insurance broker must review the definitions of “employment practices wrongful act” and “retaliation,” as well as any applicable exclusions, in order to be sure; the devil is in the details. For instance, the claim submitted by the employee described in *Thompson* would not be covered under the typical EPL policy because “retaliation” is usually defined in the policy to mean adverse treatment of an employee based on such person’s protected activity, not the protected activity of a related party.

### Conclusion

Retaliation in the workplace is illegal, yet the statistics show that these incidents continue to occur at an increasing rate.

Identifying and preventing retaliation can be complicated. So if you find yourself faced with a retaliation claim, you should be able to rely on your EPL policy to provide some financial protection, but again, the devil is in the details. It is important to work with your insurance broker before a claim to ensure your policy is properly written to cover this exposure.

The best recommendation, however, is to avoid the risk whenever possible.

*Jeanne Oronzio Wermuth is senior technical specialist at The Graham Co., an insurance and employee benefits brokerage. Her responsibilities include training, continuous improvement, quality assurance and coverage analysis with a concentration on management, professional and cyber liability. Ms. Oronzio leads The Graham Co.’s management liability practice group. She can be reached at 215-701-5409 or joronzio@graham-co.com.*

If you find yourself faced with a retaliation claim, you should be able to rely on your employment practices liability policy to provide some financial protection, but the devil is in the details.

# Nelson: Chairman's bank background offers Lloyd's market fresh perspective

CONTINUED FROM PAGE 3

think when you look at Lloyd's, 80% of the capital is coming from the U.S., Bermuda and the U.K.; and a very high percentage of the gene pool in the underwriting market in London is people like you and me. If we're going to be the global hub, we've got to diversify the capital, and the people, and the franchise.

I would love to see over the next 10 (to) 20 years Lloyd's becoming much more international with Brazilians, Mexicans, Indians, Chinese actually operating in the underwriting market in London — a bit like what happened in the banking industry in London in the 1980s.

**Q: One of the areas that Lloyd's has tried to grow in the past, but not necessarily that successfully, has been on continental Europe. How do you see that playing out?**

No, I agree. If you take France and Germany as the two bigger economies of continental Europe, they have major players who, by and large, have integrated or tied agent distribution. Bearing in mind that Lloyd's is a fully brokered market, where distribution is effectively subcontracted to brokers, structurally it makes it more difficult, and that's why the penetration of Lloyd's in those markets isn't as great as in some others. Having said that, there are signs that we are getting a bit more traction in some of those countries, and the insureds are beginning to see the merits of Lloyd's. For example, in France last year, I think our premium income group grew by about 8%, which is well ahead of (gross domestic product). I would like to see us grow there.

**Q: You mentioned emerging markets such as China and other areas. Are there any particular ones where you have a focus?**

Basically, the new countries that we're focused on would be Mexico, which is our biggest one; in South America, Brazil; and in the long-term, obviously, Africa. If you go up Eastern Europe, I would probably single out Turkey and Poland. Turkey is potentially a very important market for us; and then if you go further east, India

absolutely lends itself to Lloyd's. The problem with India is that the economy is a very protected economy. So unless they liberalize the regulations there for foreign insurance companies coming in, it's going to be difficult, but we talk to them all the time.

And then ... we are throughout Southeast Asia. Our biggest hub, by far, is in Singapore. We have our onshore license in China ... we have a hub in Shanghai; and in Tokyo, where we are and where

we've been for many years. So those would be the countries that we're probably focused on.

**Q: The U.S. is a very mature market for Lloyd's, and you have a lot of business there. How do you see that market growing?**

Well, most of our businesses there is excess and surplus lines and it's a very strong business. It does continue to develop. It is a mature market; on the other hand, all the

time we are developing our cadre of coverholders. The broker community seems to be more and more enthusiastic about Lloyd's. So I think that there are special lines that we would like to develop. I think there's still the opportunity to grow.

**Q: And it's been going on over the past few years now, but Solvency II is still hanging out there.**

I think this is where Lloyd's can actually bang a bit of its own drum. We are Solvency II-compliant more or less now. We will be introducing the Solvency II process into the market, right across the market for capital-setting pur-

poses from the first of January. It was a huge effort by the team and by the market.

Luke Savage, our CFO, did an absolutely brilliant job over the last few years. It's cost a fortune. It's been unnecessarily expensive and complicated to execute. The regulators know our views on this. I think the results, in the sense of what Solvency II does, are good. Obviously, the big conundrum is that the Europeans having forced us to spend, whatever it is, two and a half billion pounds in the U.K. insurance industry, and then say, "Well, we're not sure when we're going to introduce it," which is obviously frustrating.

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# Canada: Talking language of business

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have lost my job," she said. "We spend a lot of time trying to prove the value of risk management," Ms. Meltzer said.

But risk managers will leave a bigger impression if they also document it, she stressed.

The theme of this year's RIMS Canada Conference focused on the evolving role of risk management as it becomes integral to business performance and viability — and the fact that with that attention also comes greater responsibility.

"Risk management must deliver a clear and measurable impact on the company's operating performance," said Dan Kugler, assistant treasurer, risk management, at Snap-on Inc. in Kenosha, Wis., speaking during a session titled "Risk Management Speak: Communicating Risk Management Value and Results to Your Organization's C-Suite and Board."

"How do you align risk management objectives with the organization's strategic goals? Take the lead in moving beyond hazard risk management," said Mr. Kugler.

"When I'd talk about loss prevention and safety, I could see my CEO's eyes glaze over," said Robert Cartwright, loss prevention manager for Bridgestone Retail Operations L.L.C. in Exton, Pa. He said he "had to learn how to speak my CEO's language" to get his support.

Also presenting during the "Risk Management Speak" session, Mr. Cartwright said he changed his lexicon to explain things like "here's where our profit retention will be if we prevent and control losses."

"You need someone who sees your vision and can be a champion of risk management in your

## Turcotte wins Stuart Award for risk management efforts

**SASKATOON, Saskatchewan** — Michel Turcotte, senior director of risk management and insurance at Montreal-based Ivanhoe Cambridge Inc., has received the Donald M. Stuart Award for his pioneering work in risk management in French-speaking Quebec, including translating risk management education materials into his native language.

Bestowed during a luncheon ceremony held last week during the 38th annual RIMS Canada Conference in Saskatoon, Saskatchewan, the award is recognized as Canada's highest honor in the risk management field.

Besides his significant contributions to risk management education, Mr. Turcotte also has developed and implemented risk management programs for major corporations throughout Canada and around the world, most notably launching one of the



Mr. Turcotte

nation's most complex enterprise risk management programs for Quebecor Media Inc., RIMS said in a statement.

"Under his leadership, the program successfully emphasized the importance of a sound risk management strategy and included components such as a risk appetite statement, an insurance and claims management system and, eventually, a fully integrated enterprise risk management program," RIMS said.

Also presented at the conference was the Fred H. Bossons Award recognizing the risk management professional who earns the highest marks on the three courses required to receive the Canadian risk manager designation. This year's recipient was Gareth J. Lewis, manager of claims at Toronto-based health care liability insurer HIROC.

— By Joanne Wojcik

organization," he said. "When you get the buy-in from the top, it makes the job a lot easier."

However, to gain the most attention, he recommended that risk managers "limit action plans to those risks with the potential to cause significant impediments in achieving business objectives or which may cause major impairments of capital."

"Depending on how successful

you are, it opens the door to other things," Mr. Cartwright said.

To get his CEO's attention, Hans Læssøe, senior director of strategic risk management at Lego A.S., implemented "active risk and opportunity planning," which involves evaluating how certain risk scenarios could affect each component of the Billund, Denmark-based toy manufacturer's entire business operation.

"Look at the entire business system. What would be the impact on the other components" if a particular risk scenario played out, Mr. Læssøe queried during a keynote at this year's conference, where he documented how a focus on risk management has enabled the company to remain profitable despite a stagnant toy market.

Mr. Læssøe confided that his ultimate objective is to embed risk management throughout the company so that his job as risk manager becomes obsolete. He is doing this by assigning "ownership" of each risk to various individuals.

"They are in charge of making sure something gets done," Mr. Læssøe said. "In some cases, it has refocused the project," he said.

If risk management is implemented effectively, it should make it easier for executive management and an organization's many "risk owners" to carry out their respective responsibilities, Mr. Cartwright said.

"Risk is owned by everyone, not just the risk manager. If you don't have safety, production stops, then you can't serve the customer and make money," he said.

To get the attention of their CEO, risk managers also should learn how to spin their message so it is positive, rather than negative, Mr. Cartwright said.

"Aren't all risks opportunities? Use that as a selling point," Mr. Cartwright said.

In some cases, educating others in an organization about risk management may change the corporate lexicon as well, Mr. Cartwright said.

"Now I hear people saying 'root cause,'" which is a risk management term, he said.

"You can't turn an ocean liner that quickly. It takes a while to make that turn. But if you (are) concise, direct and leave them with something," it will have an impact, Mr. Cartwright said.

## Census: Reform halts slide in uninsured

CONTINUED FROM PAGE 4

said in commenting on the change.

"Clearly, the young adult provision has had an impact" on coverage, said Paul Dennett, senior vice president-health care reform at the American Benefits Council in Washington.

In fact, a Mercer L.L.C. survey of 900 employers last year found that the young adult coverage boosted their health care plan enrollment an average of 2%.

The cost impact of that coverage expansion has been modest. Consultants say increases typically ranged from 0.5% and 1.5%, with employers whose workforces are very young, and whose employees have few children in the age bracket affected by the provision, having the smallest cost increases.

Still, even though employment-based coverage held steady in 2011, it is a long way from its

peak, set in 2000 when 181.9 million people were covered by employer-sponsored plans, according to the Census Bureau.

On the other hand, the stabilization of employment-based coverage is a big change compared with 2009, when employers laid off millions of employees during the Great Recession and others went out of business. The number of people covered by employer-sponsored plans fell by nearly 7 million in 2009 compared with 2008, the biggest one-year decline in employment-based coverage since the Census Bureau began to compile such statistics in 1987.

While employment-based coverage held steady in 2011, government-provided health care programs grew.

For example, the percentage of the population covered by Medicaid, the federal-state program for the poor, rose to a record 16.3% in 2011, up from 15.8% the previous

year; and the number of people enrolled in Medicaid increased to 50.8 million, also a record, up from 48.5 million.

The percentage and number of people enrolled in Medicare also set records last year as more baby boomers became eligible for coverage. In 2011, 46.9 million people were enrolled in Medicare, up from 44.9 million in 2010; and the percentage of the population covered by Medicare increased to 15.2%, up from 14.6%.

Overall, the number of uninsured in 2011 fell to 48.6 million, down from 50.0 million in 2010. The percentage without coverage fell to 15.7% compared with 16.3% in 2010, the Census Bureau said.

The number of people with health coverage in 2011 increased to 260.2 million in 2011, up from 256.6 million the previous year.

At 4.5%, Massachusetts had the lowest uninsured rate averaged over 2010 and 2011 of any state,

according to the Census Bureau.

That is the result of a 2006 law that created a program in which the state subsidizes health insurance premiums of the low-income uninsured and imposes penalties on employers not offering coverage. The law also imposes assessments on individuals without health insurance coverage — except those who can prove that affordable coverage was not available and those who obtain special waivers.

After Massachusetts, Hawaii, at 7.8%, had the second-lowest uninsured rate. It was followed by Vermont at 9.0%, Minnesota at 9.5% and Maine at 9.7%. On the other hand, Texas had the highest uninsured rate averaged over 2010 and 2011 of any state at 24.2%, followed by Nevada at 22% and New Mexico at 20.5%.

The 2010 health care reform law is intended to make deep inroads in the number of uninsured, but federal premium subsidies for the lower-income uninsured to make coverage more affordable do not take effect until 2014.

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## Terror: Middle-market risks fuel debate

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said the federal backstop is essential for his clients, as terrorism threats constantly evolve and Selective Insurance does not have the resources to predict or track such risks.

"We primarily write for small businesses that have an average of three commercial policies and about \$10,000 in total premium, and they elect 86% of the time when they have the choice to have TRIA," Mr. Lanza said during testimony on behalf of the Property Casualty Insurers Association of America.

Jon Jensen, president of Spartanburg, S.C.-based Correll Insurance Group, who testified on behalf of the Independent Insurance Agents and Brokers of Amer-

ica, said allowing the backstop to expire would be especially troubling for small and medium-size businesses. "The vast majority of businesses in this country are of this size, and these commercial enterprises will be unable to properly protect their assets, property and investments against the threat of terrorism without such a partnership," Mr. Jensen said.

Darwin Copeman, president and CEO of Jewelers Mutual Insurance Co., based in Neenah, Wis., said that as a small mutual insurance company, the only way it can offer terrorism coverage is because of the federal backstop.

"Given the TRIA program that is in place today, our exposure between the deductible and the co-participation is 16% of our policyholder surplus — that's \$150

million of surplus," Mr. Copeman said in testimony on behalf of the National Association of Mutual Insurance Cos.

"There's still fire, there's still other catastrophic losses that can take place, and we have to align our capital against those particular exposures. As a small company, TRIA makes a huge difference in whether or not we're able to make a marketplace for our mutual insurance company policyholders," Mr. Copeman said.

Kevin Brogan, head of the property/casualty national practice for Wells Fargo Insurance Services USA Inc. in Chicago, said that 90% of WFIS' middle-market clients in urban locations buy terrorism-related insurance coverage at a price of 1% to 3% of the limits of coverage purchased. "If there

wasn't a backstop, my opinion is probably the coverage wouldn't be available," Mr. Brogan said.

But one witness argued that while TRIA served a very real purpose after the 2001 attacks, the federal backstop was not intended to be a permanent program and should be phased out.

"We have now reached a point where the private sector is increasingly capable of providing that coverage at appropriate prices without government support," David C. John, the senior research fellow in retirement security and financial institutions at the Heritage Foundation in Washington, said during the hearing. "In fact, the continued existence of TRIA may keep the industry from further progress."

The House panel took no action at last week's hearing, but said future hearings on the backstop would be held.

## inBrief

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first quarter, but rates are lower than they were during last year's second quarter, Aon Corp.'s Financial Services Group said. The average price for \$1 million in limits increased 13.8% during the second quarter of this year compared with the first quarter.

### Pension plan funding edged up in August

Funding levels of pension plans sponsored by large publicly held U.S. employers edged up in August as higher interest rates reduced the value of plan liabilities and investment gains boosted the value of plan assets, Milliman Inc. said. Defined benefit plans offered by the 100 U.S. employers with the largest pension programs were an average of 72.4% funded as of Aug. 31, up from 70.9% as of July 31, but sharply lower compared with the 78.7% funded ratio at the end of 2011.

### Losses up to \$2B from Hurricane Isaac

Hurricane Isaac's wind and storm surge impacts on the Gulf Coast last month resulted in as much as \$2 billion in insured losses, Risk Management Solutions Inc. reported, excluding rainfall-driven flood losses and all National Flood Insurance Program losses.

### Annual Spencer gala raises \$720,000

The Spencer Educational Foundation Inc. raised more than \$720,000 last week at the organization's annual gala. Proceeds from the event will fund scholarships for students of risk management and insurance as well as universities committed to advancing the study of risk and insurance. Seraina Maag, chief executive-North America property/casualty for XL Group P.L.C., and David Zuercher, retired chairman of Wells Fargo Insurance Services Inc. and executive vice president and head of the insurance services group for Wells Fargo & Co., were recognized at the event.

## Productivity: Track costs

CONTINUED FROM PAGE 1

actual cost of absence in the workplace, be it (under) short-term or long-term disability, workers compensation or FMLA leaves of absence," said Charles Fox, executive director for the Disability Management Employer Coalition.

"There are so many pieces of the puzzle that very few companies have a really good handle on what the actual total costs to the organization are due to absence in the workplace with all those categories of time off," Mr. Fox continued. "However, I think that intuitively they all know that it is significant, and it is a humongous number."

While employers want to know

that number, there is no adequate formula for measuring productivity and presenteeism losses, said Marlene S. Dines, executive consultant for national integrated disability management at Kaiser Permanente in Oakland, Calif.

Other employers consider Kaiser a leader in integrated disability management practices, Ms. Dines said. Kaiser strives to track employee absences regardless of whether they are covered under a specific benefits program, and it tries to evaluate the impact of poor health on absences.

But measuring lost productivity due to absences or presenteeism remains elusive, Ms. Dines said.

"I still am looking for someone

to show me how to measure lost productivity," she said. "I have not even seen that."

It's tough to gauge presenteeism and productivity losses because of the vast number of jobs performed by Kaiser's 170,000 employees, and it's impossible to measure the loss of services that occur, for example, when certain employees are absent or not functioning at their peak, Ms. Dines said.

But there are "solid" tools for measuring worker presenteeism, including one available through the Integrated Benefits Institute, said Kimberly Jinnett, research director for San Francisco-based IBI.

The tools typically rely on workers self-reporting their behaviors through surveys, Ms. Jinnett said.

"But we understand it is a struggle

to figure out which tool to use, when, why and what it gets you, and how it helps your employer understand the cost to your company in terms of performance loss when it comes to illness," Ms. Jinnett said.

It was the IBI that reported last week that for the entire U.S. economy, poor worker health and its drag on productivity costs employers \$576 billion annually.

Of that amount, 39% or \$227 billion results from lost productivity tied to poor worker health that drives absences and presenteeism.

The IBI, which provides research for major U.S. employers and insurers, said it reached its estimate by drawing on 2011 U.S. Bureau of Labor Statistics wage and benefits data and its own benchmarking data from 60,000 employers.

## Class: Forum options may be restricted

CONTINUED FROM PAGE 3

court yet, but will be bound by any judgment at that point," is likely to be the focus of the U.S. Supreme Court's eventual decision, said Andrew J. Trask, London-based counsel with McGuire Woods L.L.P.

Mr. Trask submitted a brief in the case in favor of Supreme Court review on behalf of the Center for Class Action Fairness L.L.C.

"The question becomes, 'Can they do that?'" said Mr. Trask.

Paul G. Karlsgodt, a partner

with law firm Baker & Hostetler L.L.P. in Denver, who is not involved in the case, said, "To me, the question comes down to" whether, by limiting the award, plaintiffs are depriving other class members of their rights, "or is that simply their prerogative?"

Thomas R. Kaufman, a partner with law firm Shepard Mullin Richter & Hampton L.L.P. in Century City, Calif., said also the Class Action Fairness Act was created "to allow defendants to move these cases into federal court, and not state court."

Congress recognized with the act that state courts often certify cases "that had no business being class actions," said Kevin M. McGinty, a member of law firm Mintz Levin Cohn Ferris Glovsky & Popeo P.C. in Boston.

"The question the Supreme Court is going to grapple with is whether that clear congressional intent outweighs the usual tendency to read jurisdictional statutes as narrowly as possible to limit federal jurisdiction, not expand it," Mr. McGinty said.

Jaime A. Bianchi, a partner with

law firm White & Case L.L.P. in Miami, said, "There are two competing principles at work, here." On one hand is the Class Action Fairness Act, he said. On the other, is the concept that the "plaintiff is the master of his own complaint."

Some observers say the Supreme Court's agreement to hear the case could be interpreted as a strong signal the court is likely to overturn the lower court decision and rule in Standard's favor.

Steven A. Engel, a Washington-based partner with law firm Dechert L.L.P., said, "The court tends to reverse more often than it tends to affirm when it grants cases."



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## COMMUTER GETS PAYBACK AFTER DELAY

A court in Russia compensated a disgruntled commuter \$230 for moral damage suffered during a rush hour train ride in the Siberian city of Krasnoyarsk.

The unnamed plaintiff filed the lawsuit against commuter rail operator Krasprigorod in February alleging “physical and moral suffering” after being stuck for two hours in the train’s crowded station, according to news reports.

The man, who originally sought \$1,550 in damages, said he was unable to breathe properly, and suffered as other passengers cursed and pushed and stepped on his feet, according to reports.

A spokeswoman for the Krasnoyarsk court said the judge awarded the passenger \$230 and ruled that the train operator was liable because it failed to provide a safe environment and quality service to the plaintiff.

According to reports, the company said it will pay the amount to the plaintiff and will not appeal the court’s decision.

For anyone who has been stuck in a crowd waiting for a commuter train, \$230 barely covers the aggravation, but it’s a start.



CONTRIBUTING: Judy Greenwald, Mike Tsikoudakis, Rodd Zolkos

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## MMA fighter taps out over comp charges

A Los Angeles firefighter who found himself in hot water when he was caught pursuing a career as a mixed martial arts fighter while on disability leave from his fire department job has ended his battle with prosecutors who had charged him with insurance fraud.

Raphael “Noodle” Davis agreed this month to plead guilty to one count of filing a false workers compensation claim. The plea agreement will require him to perform 200 hours of community service and he has repaid money he was paid by the city while on disability leave.

Mr. Davis was charged in April with filing false claims between December 2008 and May 2011, during which time he received \$30,000 in workers

compensation disability payments, prosecutors said.

Under the terms of the plea agreement, if Mr. Davis successfully completes the community service requirement the remaining three workers compensation fraud counts against him will be dismissed when he returns to court for sentencing in March.

A statement from the mixed martial artist’s management said that while Mr. Davis now realizes that his participation in MMA activities while on disability leave from the Los Angeles Fire Department “was not in the scope of his doctor’s orders,” doing so was a “misunderstanding” with “no intent of wrongdoing.”



## Father lives on via daughter’s fraud scheme

The state of Hawaii for 22 years paid workers compensation benefits to a dead man amounting to nearly \$400,000.

The daughter of the deceased Kauai resident has been indicted by a federal grand jury for collecting the money after forging his signature, Hawaii News Now reported.

Edwins Callison, who died in 1990 in California, was injured while working for the Kauai Humane Society and began collecting workers comp benefits in 1976.

According to the indictment, his daughter, Redlands, Calif., resident Lysie Williams, allegedly collected Mr. Callison’s benefits by forging his signature on documents verifying his workers comp eligibility.

Hawaii lawmakers said the state, which discovered the fraud after conducting a random audit, should have uncovered the problem long ago, according to news reports.

“It is unfortunate that this was undetected for so long but when we discovered it we immediately addressed the issue and the steps taken should prevent any reoccurrence of this kind of fraud from happening in the future,” state Labor Department Director Dwight Takamine told the Hawaii News Now.

According to reports, Ms. Williams could not be reached for comment but is expected to plead guilty next month when she will appear before a federal court.

## GET READY FOR ZOMBIE APOCALYPSE

In what is either a clever marketing ploy or a sign of desperation, the Homeland Security Department is urging citizens to prepare for a “zombie apocalypse” to encourage them to be ready for a disaster.

The Federal Emergency Management Agency last week hosted an online seminar for its Citizen Corps organization to help emergency planners better prepare their communities for disaster and encouraged planners to use the threat of zombies as an incentive, according to news reports.

The Centers for Disease Control and Prevention last year also had a zombie

apocalypse social media campaign to prepare citizens for a disaster.

The idea behind it is that whether you are preparing for a hurricane, pandemic, earthquake, terrorist attack or zombies on the loose, preparations are the same — have on hand fresh water, extra medications, emergency flashlights and a change of clothes.

Given that now even the federal government has joined in the media’s obsession with zombies, one can only look back with nostalgia to the days when all we had to worry about was an invasion from Russia or, at worst, aliens from outer space.



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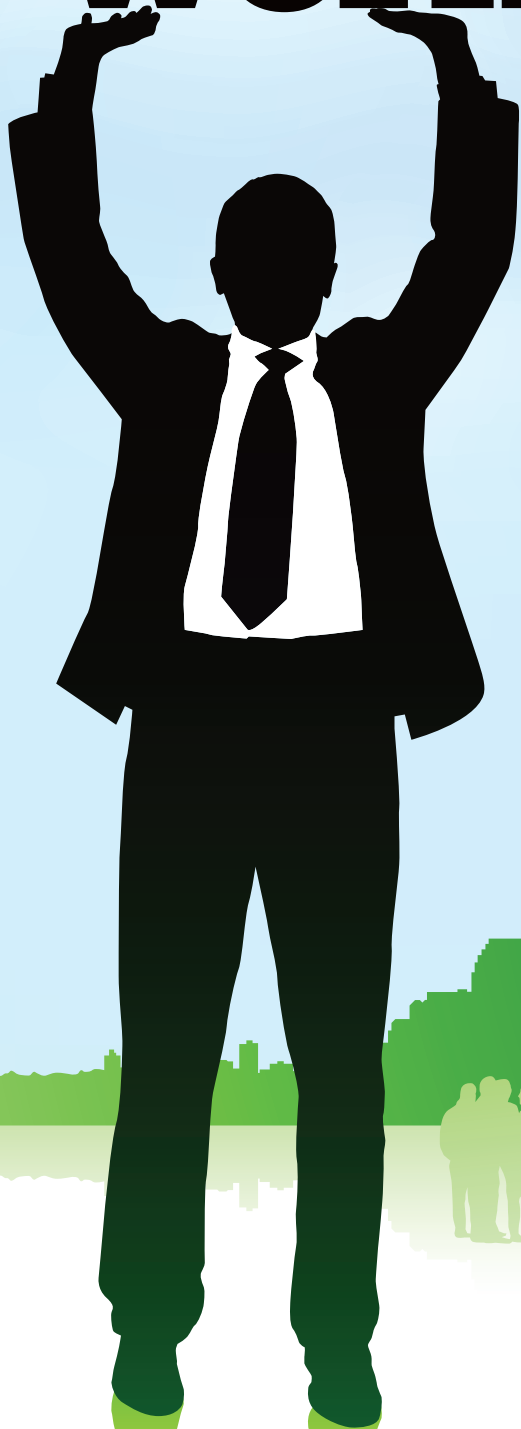
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