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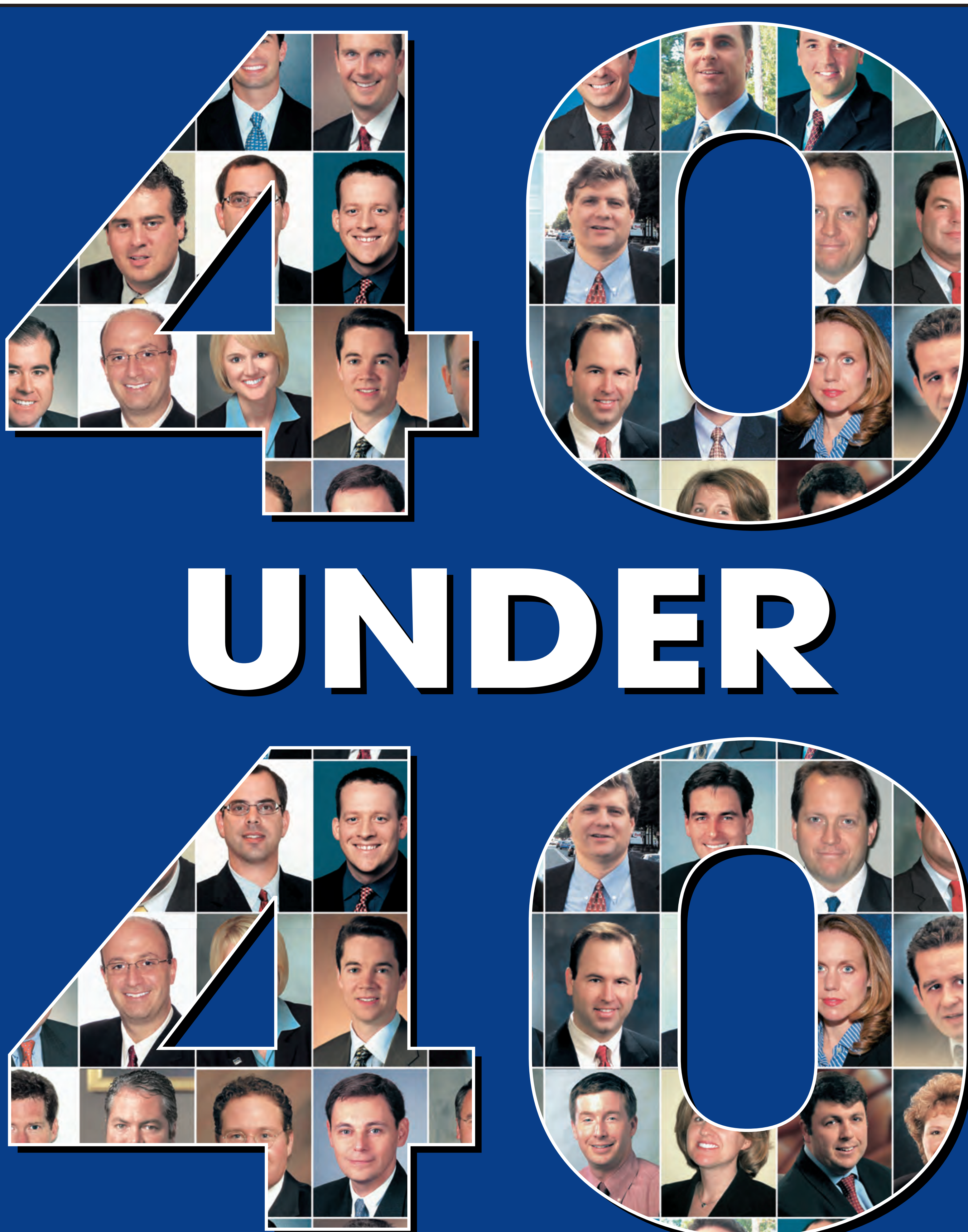

People to Watch

Employers get safe harbor for pension rollovers / 3

House panel approves TRIA extension bill / 4

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Brokerage giant conducting search for new top executive

Aon's Ryan to step down

By SALLY ROBERTS

CHICAGO—After emerging from years of massive growth and some associated growing pains, Aon Corp. is now embarking on its next big challenge: finding a new chief executive.

The world's second-largest brokerage announced last week that Patrick G. Ryan, chairman and chief executive officer, will step down as CEO after four decades at the helm of Aon and its predecessor company.

Analysts say the move, while somewhat surprising, was not totally unexpected, given Mr. Ryan's age and the struggles that Aon has encountered in recent years.

The Chicago-based brokerage said it plans to select an executive recruiting firm shortly and begin the process of finding a new president and CEO. Mr. Ryan, 67, will continue to serve as chief executive until a successor is named and thereafter will continue as Aon's chairman.

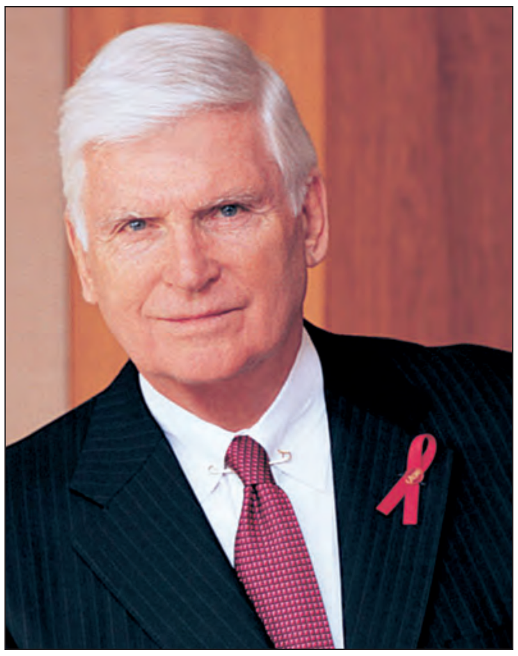
"We have built Aon into one of the largest and most respected companies in the insurance industry, fulfilling a strategy that we had established many years ago," Mr. Ryan said in a statement. "Having served as CEO of Aon and its predecessor for 40 years, it is now time for a new generation of leadership."

Michael D. O'Halleran, once thought to be Mr. Ryan's likely successor, is not a candidate for the CEO position. Mr. O'Halleran, who was named president and chief operating officer of the brokerage in 1999, said he is relinquishing that role and will not stand for re-election as a director of the company at the 2005 shareholders' meeting.

"I have spent most of my career helping to build Aon's reinsurance business, and I look forward to focusing my energies on the tremendous global opportunities within our reinsurance, wholesale brokerage, and managing underwriting business," said Mr. O'Halleran, 54, who was named senior executive vp with responsibility for those operations.

Over his years at Aon's helm, Mr. Ryan is probably best known for the instrumental role he

See AON/page 40



Late News

PHOTO: EFE

Merck withdraws Vioxx over health risks

Merck & Co. has withdrawn its arthritis and acute pain drug Vioxx from the market, after data from a three-year clinical trial showed an increased risk of heart attack and stroke for patients taking the drug for more than 18 months. A spokeswoman for the Whitehouse, N.J.-based drug company said it likely has coverage for any securities-related litigation stemming from the move, though she did not know whether the company would be covered for other costs related to the recall, including lost revenues. Several insurers and pharmacy benefit managers said they have suspended the distribution of Vioxx through their pharmacy networks.

Delta cutting benefits to avoid bankruptcy

Delta Air Lines Inc. will require employees to pay more for their health benefits and will eliminate health insurance subsidies for future retirees as part of efforts to avoid bankruptcy. The Atlanta-based air carrier announced that it will also offer early retirement buyouts, cut some employees' pay and furlough as many as 7,000 workers. The airline has not specified how much more employees would have to contribute toward their health benefit costs. The retirement subsidy cut for health care coverage at age 65 and after will be effective for employees retiring

See LATE NEWS/page 39

Market forecast mixed after multiple hurricanes

Mounting losses may push up rates

By DAVE LENCKUS and RUPAL PAREKH

Even as Hurricane Jeanne pushed total insured losses during this deadly hurricane season to between $19 billion and $35 billion, industry experts disagree on how big an impact the losses will have on insurance buyers.

Insurers, brokers and industry analysts concur that the losses should brake property insurance rate decreases, which insurers had been beginning to offer after having increased rates and deductibles and reduced limits over the past few years.

Several market observers say that holding rates stable will be enough to allow the reinsurance and insurance markets to weather this year's hurricane losses.

Others, though, predict the capital depletion toll that the losses will have on the industry will force reinsurers and insurers to boost rates during upcoming renewals.

Hurricane Jeanne, a Category 3 storm with maximum sustained winds of 120 mph, hit Florida's east coast near Stuart, which is north of Palm Beach, late on Sept. 24. While at its most destructive intensity, Jeanne followed the same path

See STORMS/page 36

Deal would cap IBM's liability in pension dispute

By JERRY GEISEL

ARMONK, N.Y.—A proposed partial settlement between IBM Corp. and tens of thousands of current and former employees over the conversion of its traditional pension plan to a hybrid arrangement limits IBM's exposure to potentially huge damages but does not resolve the legal uncertainty surrounding cash balance plans.

Last week, IBM announced that it had reached an agreement with plaintiffs to partially settle a class-action lawsuit a little more than a year after a federal judge ruled that IBM's then-four-year-old cash balance plan violated federal age discrimination law.

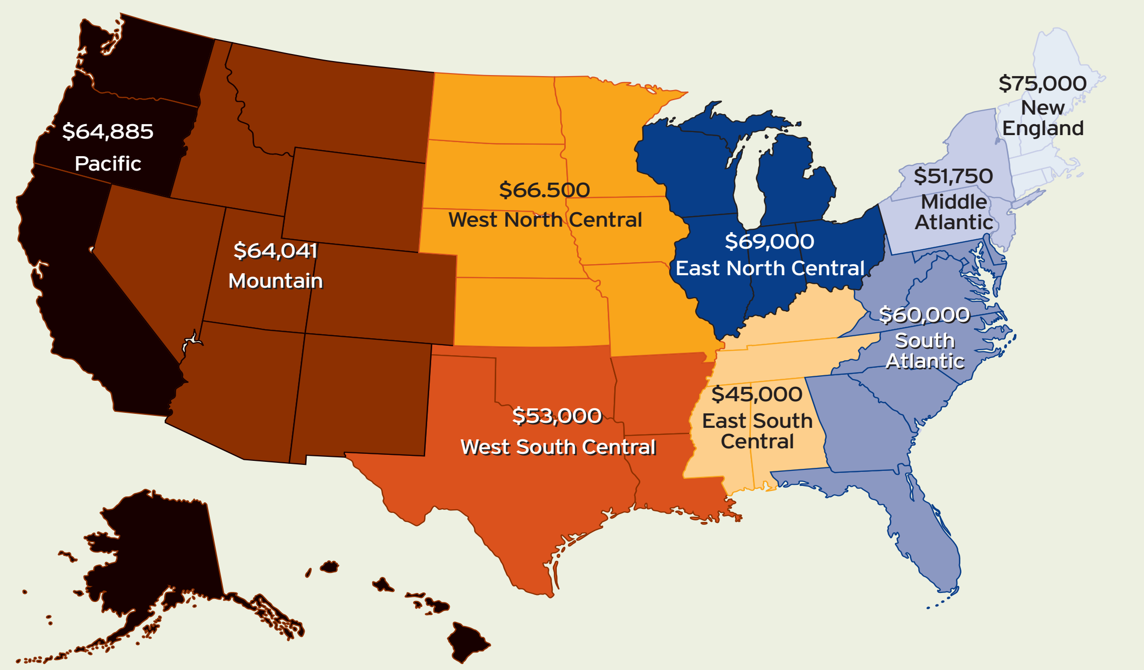
That jurist—Judge G. Patrick Murphy of the U.S. District Court for the Southern District of Illinois—had been expected to rule imminently on the damages IBM owed plan participants. But Judge Murphy agreed to hold off on awarding damages amid negotiations between IBM and plaintiffs attorneys on settling damage claims.

Those negotiations culminated in last week's partial settlement. Under that agreement, IBM will pay—

See IBM/page 38

RISK MANAGER PAY VARIES BY MARKET

Median annual cash compensation—including base pay and incentives—for an enterprisewide risk management analyst, by region.



Source: Mercer Human Resource Consulting

Study shows big variation in pay for risk managers

By RUPAL PAREKH

Risk managers curious about how they measure up to their peers in terms of pay have a new tool to benchmark their compensation.

What they will find overall, though, is that risk managers' salaries vary considerably, depending upon their position and geographic location.

Last month, the Risk & Insurance Management Society Inc. and Mercer Human Resource Consulting jointly released the "2004 Risk Management Compensation Survey," which provides compensation data on a variety of risk management-related positions. RIMS and Mercer said the study, the first such research they have done together, was produced in response to company and risk manager requests for comparative data on pay.

The findings of the survey, which was conducted between January and April, were based on information submitted by 2,742 respondents at 582 organizations in the

See SALARY/page 39

Mr. Winston

Mr. Coccia

Business Insurance names new editor, promotes several

CHICAGO—*Business Insurance* has made several changes to its editorial management team, with Paul D. Winston becoming editorial director and Regis J. Coccia succeeding him as editor of the magazine.

Mr. Winston, who has served as editor for more than 10 years, will continue to supervise *BI*'s editorial products as well as take on new responsibilities in developing new products. Specifically, Mr. Winston will lead *BI*'s newly formed interactive department, which comprises the magazine's Web site—*www.businessinsurance.com*—e-mail news and other ventures.

Mr. Coccia, who has been managing editor for more than six years, will lead the management of the editorial operations and oversee both the weekly newsmagazine and *BI*'s *Industry Focus* supplement.

"I'm delighted to have this opportunity to lead the magazine's experienced and talented staff, and I'm very glad that I'll be able to continue to work with Paul in expanding *BI*'s reach," Mr. Coccia said. "We will focus on making *BI*'s print and electronic products even more valuable resources for our readers."

Mr. Winston joined the magazine in 1985 and served in the roles of copy editor, copy desk chief and managing editor before his promotion to editor in 1994. Under his leadership, *BI* launched several groundbreak-

See STAFF/page 37

Employers get safe harbor for pension rollovers

By JERRY GEISEL

WASHINGTON—Employers taking advantage of final Labor Department rules creating a pension benefit rollover safe harbor will be shielded from fiduciary liability when they transfer terminating employees' small pension distributions to individual retirement accounts.

The development of such a safe harbor was mandated by tax legislation Congress passed three years ago that requires employers, in certain situations, to transfer small pension benefit distributions to IRAs.

The final rules detailing the requirements employers must meet to qualify for the safe harbor closely follow rules the department proposed in March, with one major change and one minor one.

Under the Economic Growth and Tax Relief Reconciliation Act of 2001, if a pension distribution is between $1,000 and $5,000 and the terminating employee hasn't told the employer what to do with the money, the employer generally is required to transfer or roll over the funds to an IRA selected by the employer. The rollover requirement, though, does not apply in situations in which the employer keeps the money in its retirement plan.

The intent of this default rollover mechanism was to increase the likelihood that pension distributions would be rolled over into IRAs and would then be available years later as a source of retirement income, rather than distributed in cash and quickly spent.

"It is good public policy, trying to keep retirement savings available for retirement," said Kyle Brown, an attorney with Watson Wyatt Worldwide in Washington.

See ROLLOVER/page 34

Inside Business Insurance

Surplus lines insurers vow to stand firm

Executives at NAPSLO's annual meeting pledged to hold the line on rates and walk away from unprofitable business. Page 4

Enterprise risk guidance unveiled

A new framework for enterprise risk management helps organizations benchmark their programs. Page 4

New responsibilities in a nearby location

Paul Winston is taking on a new role as editorial director but notes his new office isn't far from his former one. Page 6

Hurricanes no excuse for drastic rate hikes

Insurers should not use hurricane losses as a justification for big price hikes, an editorial says. Page 8

Dubai airport accident covered in London

Underwriters in the London market will provide coverage for a fatal construction accident at Dubai International Airport. Page 33

Online

- The **Datebook** calendar lists upcoming industry seminars and meetings and allows you to add info about your own event.
- Searchable **directories** provide access to all the listings of industry vendors found in *BI*'s Market Sourcebook.
- New **Opinion Poll** for readers: Were you surprised that IBM Corp. decided to partially settle its cash balance pension plan suit?

Departments

REPORTING ON CORPORATE RISK AND EMPLOYEE BENEFIT MANAGEMENT NEWS

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Backers hope move will give boost to extension effort, but time running out

House panel approves TRIA extension bill

By MARK A. HOFMANN

WASHINGTON—A House panel last week overwhelmingly approved a bill to extend the Terrorism Risk Insurance Act through the end of 2007, fueling extension backers' hopes that the measure will be enacted this year.

Risk managers, insurers and businesses hold the act should be extended for at least two years before the current Congress adjourns. A prompt extension of TRIA—which created a federal government financial backstop to help property/casualty insurers cover the losses from future catastrophic terrorist attacks—is necessary, they say, to prevent disruption in the property/casualty market as underwriters and policyholders craft policies this year that would extend beyond TRIA's current expiration date of Dec. 31, 2005.

The panel's approval of the TRIA extension bill reflects members' willingness to put aside 'secondary differences.'

Rep. Barney Frank, D-Mass.

But despite a unanimous voice vote by the House Financial Services Committee in favor of the Terrorism Insurance Backstop Extension Act—H.R. 4634—on Sept. 29, extension supporters admit that there's no guarantee that the full House—let alone the Senate—will follow suit. In fact, with Congress slated to adjourn as early as this week, final consideration of TRIA extension might have to wait until a probable lame-duck session that is likely to begin in mid-November, if at all.

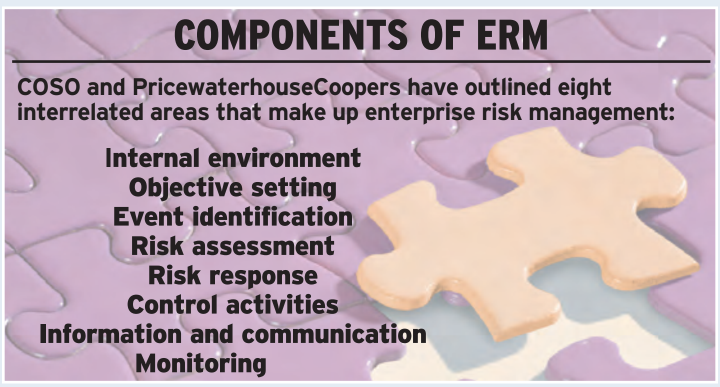
Still, they remain hopeful that last week's House action will give reauthorization efforts the push they need.

"It's a very important vote because this bipartisan voice vote provides a lot of momentum for the bill to go to the House floor, hopefully within the next week," said Julie A. Rochman, a senior vp at the American Insurance Assn. "If we get it off the floor with a similar strong bipartisan vote, which we hope to do, it will be very difficult for the Senate to ignore, particularly since we know there are 20 bipartisan cosponsors of the Senate bill," Ms. Rochman said, referring to companion legislation in the Senate that has yet to be considered.

There had been little doubt that the Financial Services Committee would approve TRIA. As the committee's ranking minority member—Rep. Barney Frank, D-Mass.—put it, the TRIA extension bill allowed the panel "to give another example" of how its members could behave in a bipartisan manner. Rep. Frank called the bill "a very good bipartisan package," reflecting members' willingness to put aside "secondary differences" to move the bill along.

It was in that bipartisan spirit

See **TRIA**/page 38



New benchmarking tool helps organizations build effective ERM programs

NEW YORK—The Committee of Sponsoring Organizations of the Treadway Commission last week released its long-awaited enterprise risk management framework, giving risk managers a benchmark to use in evaluating and improving their ERM processes.

"Enterprise Risk Management—Integrated Framework," which COSO began working on in January 2001 with the help of PricewaterhouseCoopers L.L.P., describes the essential components, principles and concepts of ERM for all organizations, regardless of size. A draft of the framework was released last summer (*BI*, Aug. 4, 2003).

While many organizations may be using aspects of ERM, there has been no common base of knowledge or principles to enable senior management to evaluate an organization's approach to ERM and to build effective programs, COSO said in a statement.

"This framework could not be completed at a more appropriate time," John J. Flaherty, COSO's chairman, said in the statement. "Organizations worldwide now recognize the linkage between corporate governance, enterprise risk management and entity performance.

"Many seek to improve processes for identifying, analyzing and managing risks. Yet until now, there hasn't been a comprehensive framework that truly meets the far-reaching demands of the new regulatory and competitive environment," he said.

Copies of the document are available for $50 to participating COSO members and $75 for nonmembers. More information is available at *www.coso.org*.

—By Sally Roberts

Errors and omissions

- Due to incorrect information supplied to *Business Insurance*, the wholesale premium volume for Risk Placement Services Inc. was initially reported incorrectly in the online Directory of Insurance Wholesalers. RPS' correct wholesale premium volume for 2002 is $703 million and for 2003 is $872 million.
- A Sept. 13 story listed an incorrect title for Patricia Tilton, a partner in KPMG L.L.P.'s Forensic Practice. Richard Girgenti is the KPMG partner in charge of that practice.

Asbestos compromise rejected

Frist says latest Daschle proposal still problematic

WASHINGTON—Senate Majority Leader Bill Frist, R-Tenn., has rejected the latest Democratic asbestos compensation reform proposal.

In a Sept. 27 letter to Senate Minority Leader Tom Daschle, D-S.D., Sen. Frist said that he would still like to reach agreement before the end of this congressional session on the creation of a national no-fault trust fund to replace the current litigation-based system for compensating victims of asbestos-related diseases.

In his letter, Sen. Frist praised Sen. Daschle's Sept. 15 offer to accept a $140 billion trust fund paid for by defendant companies and their insurers rather than a larger one that the Democrats had initially supported (*BI*, Sept. 20).

But Sen. Frist said that Sen. Daschle's insistence that the trust fund be operational within 90 days of enactment of the law creating it or have cases revert to the tort system is unacceptable.

He also wrote that Sen. Daschle's plan for dealing with cases already in the court system would keep in the courts far too many cases that should fall under the jurisdiction of the trust fund.

—By Mark A. Hofmann

PHOTO: EPA

Sens. Frist, left, and Daschle have not been able to agree on the shape of asbestos reform.

2004 NAPSLO Annual Convention

Surplus lines underwriters vow to hold the line on rates

By ROBERTO CENICEROS

ORLANDO, Fla.—Surplus lines insurers say they will continue to stand firm on casualty rates and walk away from unprofitable business, though some in the market question whether insurers' resolve will weaken as competition grows.

Indeed, some attendees at the National Assn. of Professional Surplus Lines Offices Ltd. recent annual conference note that competition from new entrants already has driven down some casualty rates.

Yet rates for other casualty coverages are holding steady or rising, leading several members of NAPSLO to describe overall pricing as "flat." In general, the price increases of the past two years are gone, with current rates adequate for insurers and wholesalers to produce profits, excess and surplus market participants note.

NAPSLO members—including excess and specialty lines insurers, wholesalers and managing general agents—met in Orlando, Fla., in September to discuss the coverage arrangements they are likely to encounter in 2005.

"The liability market is finding its way," attempting to determine whether rates for the various classes of business rates will soften, stagnate or increase, said Shaun E. Kelly, president of Lexington Insurance Co. in Boston.

NAPSLO
UBERRIMA FIDES

More NAPSLO coverage appears on page 35

The market "runs the gamut," Mr. Kelly said. "I think you are going to continue to see that through the fourth quarter and into 2005, depending on the line and the risk."

A year ago, NAPSLO conference participants largely thought that rates would soften more than they have during 2004, said Alan Jay Kaufman, chairman, president and chief executive officer of Burns & Wilcox Ltd. in Farmington Hills, Mich. But, so far, he said, rates generally have held firm and are likely to continue to do so through 2005.

"There has been a re-evaluation, and now (NAPSLO convention participants) believe 2005 is going to be a good year and rates will not soften as much as they thought," Mr. Kaufman said. "In fact, in some cases, they will be going up, both property and casualty."

On the property side, several insurers at NAPSLO say they have

See **MARKET**/page 35

Paul Winston

Taking a new role, just down the hall

As of last week, I'm no longer the editor of *Business Insurance.* This, then, is supposed to be the column where I say farewell, it's been fun and this magazine is in good hands, so never fear.

While the magazine *is* in good hands, and it *has* been fun, I'm just moving down the hall, so there's no need to say goodbye. I'm changing hats to editorial director of *BI* but will still be here working with the same talented team of people I've been privileged to work with since 1985. I also will continue to write a regular commentary (though not with the same frequency) that tries to help readers laugh at the world in which they work.

What is my new job? As editorial director, I have a supervisory role overseeing *BI*'s editorial products, including its online and print publications, and a more direct role in developing new products to serve our readers' need for news and information. My first priority is to focus on a new and expanded strategy for *BI*'s various interactive products, by which I mean our Web site, e-mail news products and other formats that rely on technology.

For several years now, our online daily reporting has developed a growing following among readers, who appreciate getting breaking news delivered promptly to their e-mail inbox, rather than waiting for the weekly magazine, with its more in-depth coverage of events. Readers tell us they want more, and we hope to build on this appetite by delivering *BI*'s quality content in new and more specialized news e-mails.

BI's Web site also will be enhanced to better showcase the depth of information already there for subscribers. But also it has grown to include a robust archive of *BI* articles going back a decade, a growing directory of data on industry vendors and numerous other features—all of which are accessible at the convenience of the reader, wherever he or she may be and whenever he or she likes. But we want to build on that convenience by making the site easier to navigate, better showcasing the information that is there and adding new content.

As part of this, we hope to also identify new and meaningful data we can deliver online to help subscribers of *BI* better perform their jobs, which may or may not take the form of news stories.

Through this process, I will be seeking input from readers to ensure that we design interactive products and develop online information they truly want and need. I look forward to talking with you, and I welcome your feedback on how we can improve *BI.com* and related products in the months to come.

41 Under 40?

Elsewhere in this issue are profiled 40 individuals under the age of 40, whom *Business Insurance* wanted to recognize for doing an outstanding job serving the buyers of risk and benefits management services. These are people we felt were worth knowing by our readers. I'd like to draw your attention to one more, who is not on that list but is someone you will come to know and hear a lot about in the future.

Paul Winston

His name is Regis Coccia and, as of last week, he is the new editor of *Business Insurance*. Regis, 36, has been with the magazine since 1993 and has held a variety of positions here, joining as a copy editor, then being named assistant managing editor and then managing editor. As managing editor, he was responsible for ensuring that all aspects of the newsroom are optimally functioning, from the assignment of stories to editing and getting pages prepared and shipped to the printer. He has worked hard at ensuring the accuracy of what *BI* prints, while helping to maintain its high quality.

He has won the respect and admiration of his colleagues for his journalistic integrity, professionalism, consistent good cheer and an uncanny ability to quote from almost any comedy film ever made. I fully expect that he will win your respect too, as he guides the editorial team of *BI* to bigger and better things.

This special feature, 40 Under 40, was coordinated and produced under Regis' direction. So it is only fitting, I feel, that his name be added to these notables.

Editorial Director Paul Winston's commentary will appear periodically. He can be reached at pwinston@businessinsurance.com.

Business Insurance

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Editorial

Keep pressing for TRIA extension

A HOUSE COMMITTEE'S approval of a bill that would extend the Terrorism Risk Insurance Act for another two years provides some hope that one critical item on the risk management legislative agenda can be salvaged this year.

We certainly hope that's the case, but we realize that achieving the goal is going to be difficult, to say the least. Still, "difficult" isn't synonymous with "impossible."

As we report on page 4, the House Financial Services Committee, in a display of bipartisan comity that other committees would do well to emulate, gave its unanimous approval to a bill that would extend TRIA through the end of 2007. The leadership of the committee—Chairman Mike Oxley, R-Ohio, and Rep. Barney Frank, D-Mass.—made it clear that they would like the full House to pass the bill before it adjourns for the November elections. That's an ambitious undertaking, because adjournment is likely no later than next week, and quite probably will happen by the end of this week.

Further complicating the effort to achieve the reauthorization of TRIA this year is the fact that even if the House approves the bill before adjournment—and that's certainly not guaranteed—the odds of Senate action before adjournment are even longer. The chairman of the Senate Banking, Housing and Urban Affairs Committee—Sen. Richard Shelby, R-Ala.—is, at best, neutral on the need to extend TRIA. It's clearly not a priority of his, as was evident a couple of weeks ago in a hearing devoted to insurance issues in which he, unlike the rest of the committee members, made no mention of the issue at all.

We hope that the House committee's overwhelming support will move the bill through the full House before adjournment. If that happens, there's a good chance that the Senate will take up the matter during next month's virtually certain lame-duck session. While we'd rather have the matter settled now, passing legislation extending TRIA during a lame-duck session has a certain sense about it. After all, TRIA itself won final approval in 2002's lame-duck session, after supporters had endured more than a year of raised and dashed hopes.

Given the time constraints and the fact that some insurance contracts that will extend beyond TRIA's current expiration date of Dec. 31, 2005, are already in negotiation, it's imperative that policyholders make known to their senators and representatives just how critical reauthorization is this year. While there's no certainty that lawmakers will heed those concerns, it's pretty certain that they won't move if they don't hear from risk managers and others committed to TRIA reauthorization. With enough policyholder input, there's still a chance that a 2004 lame-duck session will have as positive an outcome on TRIA as the 2002 session did.

After storms, temperance

The chain of hurricanes that has torn through Florida and other Southeastern states has cumulatively created a substantial loss for businesses and insurers, but it would be disappointing if property insurers used those losses as an excuse to sharply increase rates.

While it is still too early to arrive at an exact figure, preliminary estimates indicate that damages from the four hurricanes—Charley, Frances, Ivan and Jeanne—could exceed the insured losses from Hurricane Andrew in 1992, even when that storm's losses are converted into today's dollars.

As most risk managers and insurers will remember, the aftermath of Hurricane Andrew included substantial increases in property rates and a sharp reduction in insurance capacity in Florida.

Insurers' reaction to the earlier storm also caused controversy when a leaked memo from one major insurer revealed that the executives there saw the storm losses as "an opportunity to get price increases now."

In 1992, the rate increases that followed Andrew may have been justified to some extent, but today's market is substantially different. At the time, deductibles were lower, insurers had insufficient information on their risk accumulations, and policyholders had been enjoying a relatively soft insurance market.

Now, deductibles are substantially higher and some policyholders face multiple loss events, insurers have far more sophisticated tools at hand to manage their exposures, and, perhaps most notably, risk managers are coming off three years of substantial price increases.

While insurers must face their own economic realities, they must also be mindful of their customers' economic realities—and the alternatives open to them.

Schillerstrom

And the beats go on...

In an effort to ensure continuing timely coverage of risk management, insurance and employee benefit-related news, *Business Insurance* has formalized a list of its reporters' assigned beats. This list is not intended to be exclusive but rather to represent core subject areas of importance to *BI* readers. *BI* welcomes ideas and tips from readers on these and other areas. Following is a list of the beats and the principal reporters for each:

Agents/brokers: Sally Roberts.
Asian markets: Michael Bradford.
Aviation/space risks: Peta Miller.
Benefits—health care and ancillary benefits: Joanne Wojcik.
Benefits—retirement savings/pensions: Jerry Geisel.
Canada—risk management and benefits: Gloria Gonzalez.
Captives/alternative risk transfer: Michael Bradford.
Claims management: Meg Fletcher.
E.U. regulatory/legislative: Sarah Veysey.
Employment practices: Judy Greenwald.
Environmental risk management: Sally Roberts.
European benefits management: Sarah Veysey.
European industry operations: London bureau.
European public entity risks: Carolyn Aldred.
European reinsurance: Sarah Veysey.
European risk management: Peta Miller.
Federal regulation/legislation—benefits: Jerry Geisel.
Federal regulation/legislation—risk management: Mark A. Hofmann.
Health care industry operations: Gloria Gonzalez.
Inland marine/transportation: Michael Bradford.
Insurance coverage litigation: Douglas McLeod.
Insurance fraud: Douglas McLeod.
Latin American markets: Roberto Ceniceros.
Marine risks: Peta Miller.
Property/casualty industry operations: Judy Greenwald.
Professional liability: Dave Lenckus.
Property loss control/catastrophe risks: Mark A. Hofmann.
Regulation of insurance: Meg Fletcher.
Reinsurance: Judy Greenwald.
Risk management profession: Dave Lenckus.
Risk securitization/capital markets risk financing: Carolyn Aldred.
Runoffs/receiverships: Douglas McLeod.
Safety/ergonomics: Meg Fletcher.
Surplus lines/wholesalers: Roberto Ceniceros.
Tort reform: Mark A. Hofmann.
Work/life benefits and EAPs: Sally Roberts.
Workers compensation: Roberto Ceniceros.

***Business Insurance* welcomes letters to the editor. The section is intended to be a forum for readers' opinions and comments. We reserve the right to edit letters for clarity or space. We will not publish unsigned letters. Please send your letters to: Letters to the Editor, *Business Insurance*, 360 N. Michigan Ave., Chicago, Ill. 60601-3806; fax: 312-280-3174; e-mail: *rcoccia@crain.com*.**

In praise of those who do a shining job at an early age

In the pages that follow are profiles of 40 men and women working in the commercial insurance industry whom the editors of *Business Insurance* believe our readers should get to know.

Earlier this year, *BI* invited readers to nominate candidates for this feature. Our criteria were simple: Anyone working in the commercial insurance industry doing an outstanding job of serving the buyers of risk and benefits management services and whose birth date falls after Oct. 4, 1964, was eligible for consideration. Candidates could nominate themselves or be nominated by someone else familiar with their work.

PHOTO: MICHAEL MARCOTTE

Editor Regis Coccia

Business Insurance readers responded to our invitation and recommended many talented individuals. Unfortunately, we were not able to profile every one of them.

The 40 Under 40 feature is not intended to be a comprehensive list or suggest that only those profiled are worthy. Far from it. The men and women who did not make this year's list also are doing quality work.

Narrowing the list was very challenging and required some difficult decisions. *BI* editors selected the 40 based on the candidates' impact on buyers of insurance, risk management and employee benefit programs.

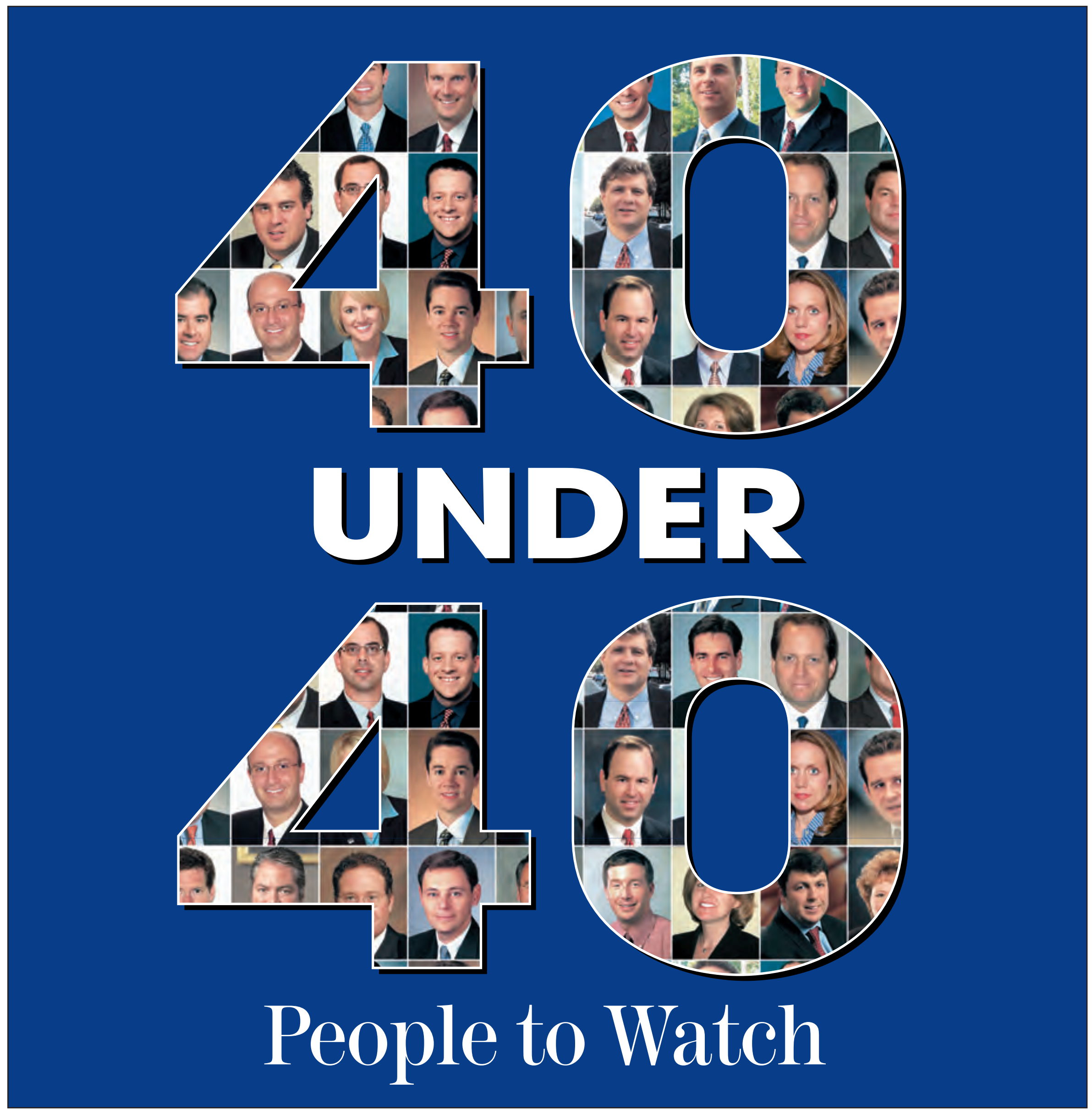
The group profiled in this issue represents a host of industry organizations, including insurers, reinsurers, retail brokers and wholesalers, consulting firms and law firms. Among these executives are innovators, entrepreneurs, specialists and client advocates.

If they share one trait, it's that they all help demonstrate the global nature of the insurance industry. The 40 hail from Bermuda, Canada, France, Germany, the United Kingdom and the United States.

Readers may draw their own conclusions about the makeup of *BI*'s 40 Under 40. Some will point to a relative paucity of women, and others may note the scarcity of minorities. Still others may see the list as evidence of "ageism," but let me assure you, the age cutoff was not intended to slight the many professionals who are doing outstanding work at any age.

In fairness, *BI* must acknowledge that the insurance industry has made great strides to increase the diversity of its talent, but we also consider it important to point out that the industry still has a ways to go.

Business Insurance salutes these 40 members of the insurance industry and supports the continuing efforts to recruit and develop the next generation of leaders.



40 Under 40 index

Don Bailey

Chief Executive Officer, Willis Risk Solutions-North America and Vp and Global Practice Leader, Willis Executive Risks
Willis Group Holdings Ltd.
New York

39

Achievements: In his latest role at Willis, Don Bailey is the CEO of Willis Risk Solutions-North America, the division that focuses on the insurance and various consulting needs of Fortune 1,000 companies and similarly large private organizations. At the same time, Mr. Bailey continues to oversee Willis Executive Risks, which focuses on placing many executive and professional coverages.

One of Mr. Bailey's proudest accomplishments is how he and his team over the past 18 months have "put Willis Executive Risks on the map in the brokerage industry," focusing on providing client value, improving staffing and growing revenue.

He says he is equally proud of how the team he managed when he was with Aon Corp. "came together to support each other" in moving on with their professional and personal lives after the Sept. 11, 2001, terrorist attacks. Aon Corp. lost 175 employees in the attack on the World Trade Center.

Beginnings: Mr. Bailey said he entered the insurance industry "by accident." Chubb Corp. recruited him out of college, and he chose to start in the insurer's personal lines unit. But, "thankfully, one of my former classmates called me and told me to get into the D&O area," he recalled. "That's a phone call I appreciate to this day."

Brent Bannerman

Vp of Business Development and Marketing
IE-Engine Inc.
Waltham, Mass.

37

Achievements: Brent Bannerman founded IE-Engine in 2000, after leaving Zurich Financial Services Group Inc. in New York, where he developed a sales and marketing team establishing Zurich's accident and health business in New England. Before that, Mr. Bannerman served as a regional sales executive for Unum Insurance Co. in Toronto and Boston.

Mr. Bannerman said he is especially proud of acquiring Watson Wyatt Worldwide as a client of his benefit technology services company, which he believes will stimulate competition in the benefit consulting field.

"The clients are starting to force the consultants to deliver more value for less cost every year. To have a technology that's enabling that and changing that market...that's a big

endorsement that we're on the right track," he said.

Goals: Mr. Bannerman wants to lead the charge to standardize the information and processes involved in the distribution of employee benefits and create a more efficient market, similar to the New York Stock Exchange or NASDAQ.

"I think it will take another five to 10 years, but, eventually, clients, consultants and carriers will have a standard place that they go to to check out what the latest pricing was for a certain type of risk, what the specifications were in certain geographical areas or demographics," he said. "In order for the industry to get to the next level, that's what's going to happen."

Mark A. Behrens

Partner, Public Policy Group
Shook, Hardy & Bacon L.L.P.
Washington

39

Achievements: For over a decade, Mark A. Behrens has been involved in virtually every major federal and state civil justice reform effort, working with Victor Schwartz, counsel to the American Tort Reform Assn., for which Mr. Behrens serves as co-counsel. As an adviser to the American Legislative Ex-

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change Council's civil justice task force, Mr. Behrens has testified before numerous state legislatures on tort issues.

His work as counsel to the Coalition for Litigation Justice has been instrumental in the move by state courts to give trial priority to sick asbestos claimants. This year, Mr. Behrens was involved in the successful effort in Ohio to establish medical criteria that must be met before plaintiffs can pursue claims for asbestos-related injuries. In addition, his legal research and essays have been widely published and have been recognized with honors that include the Burton Award for Legal Achievement.

On success: "Success is measured by results, legislation or judicial decisions that bring about fair and balanced liability laws or the defeat of initiatives that would unfairly expand liability. Beyond the win-loss column, a successful advocate gains the trust of others and exercises good judgment. I get a lot of satisfaction when a client calls to discuss a personal issue. Then I know they do not see me as a hired gun."

40 Under 40
People to Watch

Joe Beneducci

Chief Operating Officer
Fireman's Fund Insurance Co.
Novato, Calif.
36

Achievements: Joe Beneducci's accomplishments include envisioning and developing a series of Web sites that benefit Fireman's Fund customers beyond their insurance purchasing needs. Today, 19 Web sites comprising the insurer's iCustomer Series contain news stories along with product and vendor pricing information relevant to the various industries the insurer serves. The product and vendor information is not all related to risk management or insurance, but Mr. Beneducci saw providing such a breadth of information as a way for Fireman's Fund to distinguish itself from its competitors.

On success: The iCustomer Series fits Mr. Beneducci's formula for leadership in the insurance industry. Successful leaders need to motivate others to go beyond where they believed they could go, he says.

Success also requires benefiting clients with a variety of business tools that are useful beyond their insurance concerns. With insurance developing into a wider financial services industry, Mr. Beneducci says delivering customer value requires companies to take a much broader view than they have in the past.

"It's not just about insurance," he says. "It's about truly delivering across the financial services spectrum."

Robert S. Bentley

Managing Director and Regional Manager of Broking Operations for the Western Region
Guy Carpenter & Co. Inc.
Seattle
39

Achievements: As a member of Guy Carpenter's management board and executive committee, Robert S. Bentley is responsible for helping shape strategy in brokerage, claims, information technology and other areas of the reinsurance broker's operation. Day to day, he

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runs the company's Western region, which has 77 brokers and more than 240 employees in offices in Los Angeles, San Francisco and Seattle.

His most memorable accomplishment, Mr. Bentley recalled, was working with the professionals of Guy Carpenter in the wake of the Sept. 11, 2001, terrorist attacks to help the brokerage "come together under extreme conditions" after many of his colleagues and the company's home office were lost in the World Trade Center. The company was able to pull together and regroup, he said, and "the feeling that one got back in how much people could rally and step into uncertainty" was one that sparked a powerful commitment.

An index of the 40 Under 40 profiles is on page 10.

On success: Success in his field, Mr. Bentley said, is "doing a few things exceedingly well and recognizing that (Guy Carpenter) is an organization and collection of people who are committed and focused." Success, he added, also means "working with that group to achieve the goals we have set. Success comes in working with people."

Peter Bilsby

Joint Managing Director, Aviation Division, and Director of Underwriting Support
Markel International Ltd.
London
35

Achievements: Peter Bilsby has jointly headed Markel International's aviation division in London for three years. In that role, he leads a team of six underwriters and manages the underwriting support team, a centralized administration unit that supports all of Markel's London market operations.

He also has a seat on the company's board and is a member of the Lloyd's Aviation Underwriting Assn. Markel International's aviation division wrote $45 million in premiums in 2002, the most recent year reported.

Discussing his proudest achievements, he said: "I am always delighted when I consider the team that we have assembled within Markel Aviation. It really is a strong, talented and loyal team, mixing together some people who have worked alongside me for years, with those who have been convinced by our philosophy and approach to join us."

On success: "I believe that an individual has achieved success when he is respected not only by his juniors and peers, but also by his seniors. When senior people within your company and market are genuinely interested in your views, then you are successful in your field."

Lisa Black

Principal
Mercer Human Resource Consulting
Chicago
35

Achievements: Lisa Black is a group actuary and a principal with Mercer's health care and group benefits practice. Her areas of expertise include health plan design strategy, flexible benefits pricing and the measurement of post-retirement and post-employment liabilities.

Ms. Black began her career as an actuarial intern for Celtic Life Insurance Co. in the summer of 1990. She said she had a positive experience during that summer because she was employed in a small department, enabling her to work on several different projects.

She enjoyed the experience so much that she joined the company after graduating from college and worked at Celtic for six years before joining Mercer in 1997.

On success: Successful insurance professionals need to have several key qualities, including

Continued on next page

Continued from page 14

"having critical thinking skills, being able to take a big-picture approach to problem solving and being a good team player," Ms. Black said.

Success, she said, means "being considered a trusted partner by my clients as well as my colleagues."

Francis D. Bouchard

Senior Vp and Director of Government Affairs
Zurich Financial Services Group Inc.
Washington
38

Achievements: Francis D. Bouchard is responsible for managing government affairs activities of Zurich in North America, including federal and state legislative and regulatory affairs.

His duties include helping develop positions on legislative issues, overseeing external trade association responsibilities, and developing and executing advocacy and political strategies.

Mr. Bouchard joined Zurich in 1998 after serving as director-federal affairs for the Reinsurance Assn. of America. He recently was named one of the top property/casualty insurance industry lobbyists by The Hill newspaper in Washington.

On success: "My proudest professional accomplishment is having been part of the internal Zurich team that prepared the company for the implementation of the Terrorism Risk Insurance Act.

"Involving the federal government in the management of terrorism exposures impacted every step in the insurance process, and we assembled a multidisciplinary team of incredibly talented professionals to ensure that the day that program was enacted, Zurich was ready.

"The experience blended my favorite element of the government affairs process—the intersection of policy and politics—with the operational demands of the underwriting process, and did so under intense conditions.

"It showed me a lot about the leadership team at Zurich, as well as the value that a professional government affairs program can have in times of change."

James E. Buonfiglio

President
C&B Consulting Group Inc.
Syosset, N.Y.
38

Achievements: Seizing what he saw as a good opportunity, James E. Buonfiglio in 1992 co-founded employee benefits advisory firm C&B Consulting to serve midsize companies. C&B offers a range of services to that market—which he saw as underserved—including assisting clients with resolving coverage disputes and advising on legislative compliance.

Mr. Buonfiglio began his career as an account executive with MetLife Inc.'s large-group department in 1988 before leaving to start C&B. In addition to his current responsibilities as president of that firm, Mr. Buonfiglio serves on the advisory boards of Oxford Health Plans Inc., Aetna Inc. and UnitedHealth Group.

C&B has about 200 clients, and Mr. Buonfiglio said he is extremely proud of C&B's client-retention rate of 95%, a rate he attributes to the firm's commitment to helping clients identify their objectives and resolve their problems. "We don't say 'no' to people," he said. "We figure out solutions to whatever problems they've had."

On success: The key to success, he said, is understanding how offering employee benefits supports clients' corporate goals and affects their bottom line, and having the technical expertise to help them meet those goals.

Continued on next page

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James D. Carey

Principal
MMC Capital Inc.
Stamford, Conn.
38

Achievements: For James Carey, success means one thing: superior results for the investment funds managed by MMC Capital Inc.

Mr. Carey, who joined the Marsh & McLennan Cos. Inc. investment unit in 1997, has helped produce those results by playing key roles in some of MMC Capital's most successful ventures, including the creation of AXIS Capital Holdings Ltd. after the Sept. 11, 2001, terrorist attacks and MMC Capital's investment in the commercial insurance runoff sector.

He serves as a board member of several companies in MMC Capital's portfolio, including Castlewood Holdings Ltd., a Bermuda-based runoff manager; NM Holdings Ltd., the Bermuda-based parent of a Lloyd's of London underwriting agency; and Danish Re (Cayman) Holdings Ltd.

Mr. Carey brought wide academic and practical experience to MMC. He holds both a law degree from Boston College Law School and a master of business administration degree from Duke University's Fuqua School of Business. He worked first as a lawyer with the New York firm of Kelley Drye & Warren, then moved to Merrill Lynch & Co., where he was an associate in Merrill's insurance investment banking unit from 1995 to 1997.

Goals: Mr. Carey said he plans to continue managing insurance investment funds at MMC Capital and hopes to create "one or two more funds down the road."

Mike Christie

Senior HR Outsourcing Consultant
Hewitt Associates Inc.
Lincolnshire, Ill.
30

Achievements: When Mike Christie joined Hewitt Associates in 1996, the online world of employee benefits and human resources was a very small one, in which leading-edge companies set up corporate intranets to communicate benefits-related information to their employees.

That small world has become a very big one, and Mr. Christie has played a key role in Hewitt's growth in helping companies transform the way they administer their HR programs. Mr. Christie helped to expand Hewitt's capabilities to enable clients' employees to conduct HR transactions online through self-service applications.

And, more recently, Mr. Christie has been a Hewitt leader in HR outsourcing, in which employers turn over some or all of the administration of their HR programs to the firm.

Goals: Mr. Christie said that what excites him about HR outsourcing is "the degree and pace of change, which has presented tremendous opportunities. Employers are increasingly faced with the need to do more with less, while technology has enabled more employers to move more noncore services outside of their organizations.

"I want to be in the middle of the change and growth that is associated with HR outsourcing and help Hewitt maintain its leadership position in the area," Mr. Christie said.

Marc I. Cohen

President and Chief Executive Officer
Kaye Group Inc.
New York
37

Achievements: Marc I. Cohen has devoted his entire career to Kaye Group, having joined the company in 1988 after graduating from the University of Albany in New York.

In 1999, he was named president of Kaye Group's wholesale insur-

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ance and claims management divisions. In late 2003, Bruce D. Guthart, chief operating officer of parent company Hub International Ltd., tapped Mr. Cohen to become president and chief executive officer of Kaye Group.

Mr. Cohen now oversees all wholesale and retail property/casualty and benefits brokerage operations for the company, which has annual revenues of $70 million. He is in charge of approximately 450 employees.

Success: For Mr. Cohen, success in the insurance industry "is measured by the relationship you have with your clients, industry peers and, most importantly, the people you work with every day."

Michael F. Consedine

Partner and Attorney
Saul Ewing L.L.P.
Harrisburg, Pa.

35

Achievements: As a member of Saul Ewing's insurance practice group, Michael F. Consedine's main responsibility is to counsel the law firm's clients on insurance regulatory and corporate matters on local, national and international levels.

During his career, Mr. Consedine has worked in the Pennsylvania Insurance Department and been involved as an attorney in numerous high-profile insurance cases. Those include the demutualization of Prudential Insurance Co. of America and the liquidations of Reliance Insurance Co. and Legion Insurance Co.

"But I think my proudest accomplishment was helping to get coverage reinstated for a group of nuns in Maryland," Mr. Consedine recalled. "I think that earned me points with the Big Guy upstairs."

Goals: "My goals are really to keep doing what I'm doing now, working on challenging matters, doing great work for my clients, spending time with my family and, hopefully, putting enough away to retire as a fly-fishing guide in Montana in about 20 years."

40 Under 40
People to Watch

Nick Cortezi

Chief Executive Officer
All Risks Ltd.
Hunt Valley, Md.

38

Achievements: At age 29, Nick Cortezi became a member of the board of directors of the National Assn. of Professional Surplus Lines Offices Ltd., and he recently concluded nearly a decade of service in that capacity. In addition, he served as president of the organization in 2002-2003. Mr. Cortezi's other successes include a rapid rise through the ranks of All Risks, a national wholesale broker and managing general agent, for which he is now CEO.

His drive to succeed is intertwined with his work at All Risks.

"I would define my career as a success if, at the end of it, I can look back and say I helped create a firm that was entrepreneurial in sprit and recognized my co-workers as the firm's greatest asset, a firm that has as little bureaucracy as possible," Mr. Cortezi said.

Building a company that is valued by insurance markets and its retail broker clients while remaining resilient through market ups and downs is also a measure of success, Mr. Cortezi said.

Goals: Mr. Cortezi's goals are simple: "Stick to what made us successful."

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Douglas T. Eden

Senior Vp of Property/ Casualty Operations and Distribution Management
CNA Insurance Cos.
Chicago
33

Achievements: Douglas T. Eden is responsible for the agent/broker relationships for CNA Insurance Cos.' $9 billion worldwide property/casualty business.

This includes developing strategies for commissions, profit-sharing agreements, cross-selling efforts and the insurer's diverse market initiatives.

Among his accomplishments, Mr. Eden developed CNA's diverse markets strategy to develop business in minority business segments and also led the introduction of a cross-selling initiative in 2003 that generated more than $400 million in new business for the insurer.

Before joining CNA in 2002, Mr. Eden held various positions with Fireman's Fund Insurance Co., Star Casualty Insurance Co., and USF&G Insurance Co.

He is a graduate of The University of Pennsylvania's Wharton School of Business, where he majored in insurance and risk management.

On success: Mr. Eden says a successful person is "someone who builds teams that achieve winning results, learns from them, rewards them and then challenges them to win again."

David T. Foy

Executive Vp and Chief Financial Officer
White Mountains Insurance Group Ltd.
Guilford, Conn.
38

Achievements: David T. Foy is responsible for all financial functions at White Mountains Insurance Group Ltd. In addition to addressing accounting, treasury and tax issues, Mr. Foy also works with a senior executive team on acquisition opportunities and is responsible for investor relations and rating agency relationships.

Among his proudest career accomplishments, Mr. Foy lists the 1997 IPO of Hartford Life Insurance Co. and that insurer's 1998 acquisition of PLANCO Financial Services Inc. He also cites the 2004 acquisition of SAFECO Life Insurance Co. led by White Mountains and Berkshire Hathaway Inc.

Goals: Mr. Foy said his career goal is to create as much value as possible for White Mountains shareholders, and "whatever that leads to is fine." His tendency has been to "focus more on company goals than personal goals," he said. "I've always focused on making the most money that we could for the shareholders. I'll just keep that up."

Thomas L. Gamble

Executive Vp
Arch Insurance Group (U.S.)
New York
39

Achievements: In 2001, Thomas L. Gamble helped launch the executive insurance division at Arch Insurance Group after arriving from The Hartford Financial Services Group Inc. He serves as executive vp of the division, which specializes in management liability

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products and has approximately 1,000 clients.

Mr. Gamble began his career with Frank Crystal & Co. Inc. in 1989 and then worked his way up the corporate ladder at Reliance National Insurance Co. to become senior vp of the financial products division. The company was eventually sold to The Hartford, where Mr. Gamble worked for more than a year before joining Arch.

Mr. Gamble said he is proud of his Arch staff of about 50 employees, which has worked hard to develop the business. "We offer an experienced staff that is able to be creative and give options to clients," he said.

On success: One key to success in a dynamic industry such as insurance is a willingness to learn and adapt, Mr. Gamble said. "As it changes every day, you need to be changing with it," he said.

> The average age of the men and women in *Business Insurance*'s 40 Under 40: People to Watch feature is just under 37 years.

Betsy Good

New Program Development Manager and Underwriting Manager for the Construction Industry Group
Victor O. Schinnerer & Co. Inc.
Chevy Chase, Md.
39

Achievements: As Schinnerer's new program development manager, Betsy Good researches and develops opportunities than can be marketed to potential insurer partners to expand the underwriting manager's portfolio.

In her other role, she develops the construction industry group's underwriting and pricing guidelines and is responsible for making sure they are applied consistently. In addition, she is responsible for drafting new policy language and was instrumental in the rewriting of Schinnerer's contractors professional and pollution policies this year.

Ms. Good is an 18-year veteran of the property/casualty insurance industry.

Before joining Schinnerer, she served as technology industry director for Kemper Insurance Cos.' multiline technology program and she held a similar position at Zurich Commercial Insurance.

Goals: "Over the next five years, I look forward to the successful launch of a number of new programs for Schinnerer while maintaining the leadership position Schinnerer enjoys with its flagship architects and engineers program. The experience I gain in these efforts promises to be invaluable as I look toward future leadership opportunities."

Rael Gordon

Group Chief Executive
Alexander Forbes Ltd.
London
36

Achievements: At 36, South African-born Rael Gordon is one of the youngest people to lead a major international insurance broker. Mr. Gordon, who said he loves challenges and forging new paths, became chief executive at Alexander Forbes in January 2003, when he was only 34. The move was a big step, both in terms of career advancement and geography.

Heading up the world's 10th largest brokerage meant that Mr. Gordon, then deputy CEO of Alexander Forbes Ltd./head of Africa, would have to move his young family from South Africa to London, where he would assume responsibility for more than 5,500 employees in 31 countries.

He believes that his first two years have gone well. Following a period of consolidation in which he has managed to restructure the group's balance sheet and settle its international debt, he said he is ready to drive Alexander Forbes forward.

Mr. Gordon predicts continuing change and consolidation in the insurance industry, which will pre-

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sent brokers with plenty of threats and opportunities—the very sort of environment he enjoys, he says.

On success: He attributes his success to "energy, drive and passion" for his business as well as a "large dose of good fortune and luck" and, most importantly, "having a lot of good people" around him.

Rhonda Grabow

Vp, Strategic Projects
Innoviant Inc.
Wausau, Wis.

36

Achievements: When Innoviant Inc. was launched in 2002 as a prescription benefits manager, Rhonda Grabow was named vp of marketing and product development. Under her leadership, the company—formerly Wausau Pharmacy Benefits—changed its name, created a brand image and established a market position—all in less than 90 days.

She has since overseen all of Innoviant's branding and marketing strategies. In addition, she is responsible for the company's advertising and public relations operations.

Ms. Grabow, who brings to her position more than 13 years of experience in managed care and pharmacy benefits, credits co-workers for her personal success. She said she "could not have been successful in this position if it weren't for the support of the other leaders."

Goals: "To continue to learn and stay aware of industry changes," she said, which will help her "identify how Innoviant will plan to adapt and excel" in the industry.

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Fred Grand

Vp and Operations Manager, France
Factory Mutual Insurance Co.
Paris

39

Achievements: Frédéric Grand, who goes simply by Fred, is vp and operations manager for the France operations of Factory Mutual Insurance Co., which does business as FM Global. His role encompasses managing FM Global's insurance and risk management operations in Belgium, France, Luxembourg, Netherlands, Portugal and Spain.

Mr. Grand is in charge of nearly 200 employees spread across five offices in those areas. For FM Global clients with a worldwide presence but headquarters within that territory, Mr. Grand is responsible for ensuring that their "worldwide insurance program runs smoothly," he said.

Mr. Grand cited his proudest career accomplishment as having put "FM Global on the map" in France and continental Europe and having built the company's

People to Watch

position as a leading insurer there. Under his leadership, FM Global's gross written premiums in that region grew to $158.8 million in 2003 from $37.7 million in 2001.

On success: Mr. Grand said that his definition of success as an insurance executive is "having a happy insured in front of me." Mr. Grand said he judges his own success by his ability to establish long-term relationships with insurance buyers. Despite the hard market of the past three years and increasing prices for insurance buyers, Mr. Grand believes he has been successful in maintaining good relationships with clients.

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Continued from previous page

Marc Grandisson

President and Chief Operating Officer
Arch Reinsurance Ltd.
Hamilton, Bermuda
37

Achievements: Marc Grandisson is president and chief operating officer of Bermuda's Arch Reinsurance, which writes most of the non-U.S. business of Arch Capital Group Ltd.'s reinsurance group. Mr. Grandisson has spent 11 years in the insurance industry, including serving as vp and actuary at Berkshire Hathaway Group before joining Arch Reinsurance.

Discussing his work at Arch Re, Mr. Grandisson said, "we built this company from scratch" in 2001 and not only turned it into a profitable operation, but one that also has a good reputation. The fact that this was accomplished with a fairly young team "says a lot about the culture of the company, which I take a lot of pride in having a lot of input in creating," he said.

Goals: Mr. Grandisson's goal is to continue to build an Arch Re that is recognized as "top shelf." This can be accomplished by writing the right business; hiring, training and promoting the right people; and having "a lot of integrity," he said. "I'm not trying to be CEO of the world. I'm just trying to make this one of the best units you can find around."

Steve Hearn

Chief Executive Officer and Senior Partner
Glencairn Ltd.
London
38

Achievements: Steve Hearn became group chief executive of Glencairn in 2003, after serving as chairman of the company's program business unit. His current responsibilities at the U.K.-based insurance wholesaler include business planning, regulatory issues and acquisitions.

Among his proudest achievements, Mr. Hearn counts the successful launch of Glencairn Affinity and his appointment as CEO. Mr. Hearn, like other of Glencairn's employees, is an owner of the firm. It underwent a management buyout from its South Africa-based parent, Glenrand M.I.B. Ltd.

On success: "I regard integrity and professionalism as two of the main determinants of ultimate success. I feel these qualities, often claimed and rarely delivered, will be of growing importance in our increasingly regulated global environment."

Gregory S. Hendrick

President and Chief Underwriting Officer
XL Re Ltd.
Hamilton, Bermuda
38

Achievements: As president and chief underwriting officer for XL Re, a unit of XL Capital Ltd., Gregory S. Hendrick is responsible for XL's reinsurance operations in Bermuda; Singapore; and Sydney, Australia. He also still underwrites property reinsurance for the U.S. and international books, he said.

Mr. Hendrick considers his move to Bermuda in 1995 one of his most important career accomplishments. "Making that change was a big one at the time and one I'm glad I

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Achievements: Marc Grandisson is president and chief operating officer of Bermuda's Arch Reinsurance, which writes most of the non-U.S. business of Arch Capital Group Ltd.'s reinsurance group. Mr. Grandisson has spent 11 years in the insurance industry, including serving as vp and actuary at Berkshire Hathaway Group before joining Arch Reinsurance.

Discussing his work at Arch Re, Mr. Grandisson said, "we built this company from scratch" in 2001 and not only turned it into a profitable operation, but one that also has a good reputation. The fact that this was accomplished with a fairly young team "says a lot about the culture of the company, which I take a lot of pride in having a lot of input in creating," he said.

Goals: Mr. Grandisson's goal is to continue to build an Arch Re that is recognized as "top shelf." This can be accomplished by writing the right business; hiring, training and promoting the right people; and having "a lot of integrity," he said. "I'm not trying to be CEO of the world. I'm just trying to make this one of the best units you can find around."

Steve Hearn

Chief Executive Officer and Senior Partner
Glencairn Ltd.
London

38

Achievements: Steve Hearn became group chief executive of Glencairn in 2003, after serving as chairman of the company's program business unit. His current responsibilities at the U.K.-based insurance wholesaler include business planning, regulatory issues and acquisitions.

Among his proudest achievements, Mr. Hearn counts the successful launch of Glencairn Affinity and his appointment as CEO. Mr. Hearn, like other of Glencairn's employees, is an owner of the firm. It underwent a management buyout from its South Africa-based parent, Glenrand M.I.B. Ltd.

On success: "I regard integrity and professionalism as two of the main determinants of ultimate success. I feel these qualities, often claimed and rarely delivered, will be of growing importance in our increasingly regulated global environment."

Gregory S. Hendrick

President and Chief Underwriting Officer
XL Re Ltd.
Hamilton, Bermuda

38

Achievements: As president and chief underwriting officer for XL Re, a unit of XL Capital Ltd., Gregory S. Hendrick is responsible for XL's reinsurance operations in Bermuda; Singapore; and Sydney, Australia. He also still underwrites property reinsurance for the U.S. and international books, he said.

Mr. Hendrick considers his move to Bermuda in 1995 one of his most important career accomplishments. "Making that change was a big one at the time and one I'm glad I

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took," he said of his decision to become vp of U.S. property underwriting for Mid Ocean Reinsurance Ltd., which XL acquired in 1998.

Goals: "My goal is to be at the forefront of the changing reinsurance world, particularly with regard to the convergence of the reinsurance and financial markets. XL, with its size and reputation, provides me the best platform in which to do that."

"On a personal level, I would enjoy waking up and in five to 10 years finding myself running one of XL's businesses on the insurance or financial products and services side. I am always open to taking on new challenges in my career."

Achim Hillgraf

Vp and Operations Manager, Germany
Factory Mutual Insurance Co.
Frankfurt, Germany
37

Achievements: At 37, Achim Hillgraf is the youngest vp and operations manager at Factory Mutual Insurance Co., which does business as FM Global. With responsibility for Germany and the German-speaking areas of Switzerland, Austria and Eastern Europe, Mr. Hillgraf has built up FM Global's presence and reputation in the German market significantly.

Since his appointment in 2002, Mr. Hillgraf has helped FM Global triple its German gross premium to $148 million. Net written premium, meanwhile, has quadrupled to $80 million. He also has helped maintain a combined ratio of 84%, as well as a client retention rate of 95%, according to his employer. Despite increasing staff numbers, Mr. Hillgraf has successfully aided the insurer in reducing the expense ratio of German operations to about 25% from 45%.

Mr. Hillgraf said he is proud to have spearheaded FM Global's move into the German market in recent years. "FM's model of risk management and risk engineering is an Anglo-American concept that is receiving vastly growing interest in the German market," he said.

Beginnings: "I found an early interest in insurance and risk management. I found them to be fascinating fields which played to my own strengths and preferences," Mr. Hillgraf said. "Working with a variety of people and complex challenges in the field of industrial insurance still fascinates me."

40 Under 40
People to Watch

David Ibeson

Chief Executive
Wellington Underwriting Agencies Ltd.
London
39

Achievements: David Ibeson's role as chief executive of Wellington's Lloyd's of London underwriting agency and as group underwriting director for the company's publicly traded unit involves him in activities as varied as raising capital, overseeing the group's expansion of its U.S. business, conducting business planning, overseeing reserves and reporting on the group's underwriting to its board.

He also serves on the board of the Lloyd's Market Assn. and is chair of the association's capital committee.

On success: Mr. Ibeson said that his actuarial training—he has a degree in the subject and began his career as an actuary—helps him to succeed in his roles. That background, he said, gives him an understanding of both financial figures and the jargon so often used in the insurance world.

Mr. Ibeson also credits his success to enthusiasm, relishing a challenge and being a team player. He cites the example of a rugby coach at his prep school who made sure that every player on the team did their job well and did not encroach on anybody else's role. That focus, together with an emphasis on having fun, made the team a successful one, he said, and a similar approach has served him well in managing people in insurance.

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Michael Klein

President of Public Sector Services
St. Paul Travelers Cos. Inc.
St. Paul, Minn.

36

Achievements: Since April of 2004, Michael Klein has overseen the St. Paul Travelers unit that provides risk management and insurance solutions for public entities in the United States. The unit, which has 125 employees who generate more than $300 million of revenue annually, also provides consulting services to public entities in Canada and the United Kingdom.

Among his past roles at St. Paul Travelers was participating in the insurer's corporate strategy department. His work there, where he was "exposed to people at all levels of the company" in helping the company address key strategic issues, was a "significant turning point" in his career. It also was one of his proudest accomplishments, along with being named a fellow of the Casualty Actuarial Society.

Goals: Within the next five to 10 years, Mr. Klein hopes to build on his diverse experience at St. Paul Travelers and oversee multiple busi-

Joy L. Langford

Partner
Chadbourne & Parke L.L.P.
Washington

35

Achievements: Since graduating from Georgetown University Law Center in 1994—and working as a white-collar criminal defense lawyer—Joy Langford has steadily made a name for herself handling complex reinsurance disputes at Chadbourne & Parke, where she was named a partner last year.

Ms. Langford has handled reinsurance battles over asbestos and Sept. 11 terrorism losses as well as liabilities arising from tire blow-outs, sport utility vehicle rollovers and the diet drug Fen-Phen.

She is now advising ceding insurer clients on claims related to the scandals at Enron Corp. and WorldCom Inc. and alleged initial public offering "laddering" by securities firms.

The business has changed during her 10 years in it: While arbitration once accounted for a relatively small part of her work, it now represents 60% to 65% of her cases, Ms. Langford said.

A settlement "that our client can live with" is as much a success as a courtroom win, she suggested. "I'm always looking for a good commercial resolution."

Goals: In the future, Ms. Langford said she would like to divide her time between handling disputes and developing her role as a consultant, advising clients on such issues as large loss allocation and compliance with the Terrorism Risk Insurance Act.

Alexandra Littlejohn

Managing Director
Marsh Inc.
New York

38

Achievements: In addition to her role as managing director of Marsh, Alexandra Littlejohn oversees global placement for middle-market clients—those with revenues of up to $750 million—which is the brokerage's fastest-growing business segment.

Under her leadership, that segment in the United States alone has grown to include more than 270

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Marsh employees in six major business centers and completes 36,000 transactions each year. Ms. Littlejohn, who assumed global responsibilities for the segment in 2003, is now helping to build the firm's middle-market placement operations throughout the world.

She joined Marsh in 1989 as a client executive in San Francisco and was appointed manager for the global property placement operations in the West region in 1992. Before moving to New York in 2001 to manage Marsh's middle-market placement group, Ms. Littlejohn managed Marsh's placement office in Zurich, Switzerland.

Goals: "I have always believed that focusing on your current assignment and performing in that role to the best of your ability rather than thinking about your next assignment will, overall, be more beneficial for your career."

Timothy J. Mahoney Jr.

Managing Director
Marsh Inc.
Chicago
38

Achievements: As head of the risk management and client executives practices as well as sales in Marsh Inc.'s Chicago office, Timothy J. Mahoney Jr. oversees more than 200 colleagues in the brokerage's fastest-growing region in the United States.

Mr. Mahoney joined Marsh 15 years ago, after graduating from the University of Pennsylvania with a bachelor's degree in economics. One of the biggest attractions of working in the insurance industry for him is the people-oriented nature of the business.

"I am most proud of the relationships and friendships I have been fortunate enough to develop over my career. The insurance industry is filled with incredibly talented professionals, and I really enjoy the interpersonal aspect of our business," Mr. Mahoney said.

On success: "As an insurance broker, we are a consultative and transactional service organization. We are in business to serve our clients. Success, to me, includes a combination of honesty, integrity and full commitment to deliver the best service possible."

Arnold Mascali

Senior Vp and Counsel
Cambridge Horizon Consultants Inc.
New York
38

Achievements: After spending most of his 10-year law career representing insurers, Arnold Mascali concluded that commercial policyholders that had suffered catastrophic losses "were not getting the type of advice they needed and deserved."

"I felt that my expertise could be better utilized assisting policyholders" in understanding their coverage and in presenting insurance claims after devastating losses. Mr. Mascali began advocating for policyholders with Cambridge Horizon in 2001.

Circumstances soon led to what he considers the pinnacle of his professional accomplishments, which he achieved among the depths of personal and professional tragedy.

Mr. Mascali's brother—a firefighter—and 175 employees of Cambridge Horizon's parent company, Aon Corp., were killed in the terrorist attacks on Sept. 11, 2001. In the weeks and months that followed, though, Mr. Mascali helped about 20 policyholders that sustained property damage in the attacks recover $500 million from their insurers.

On success: His clients' recoveries, in that tragedy and under other catastrophic circumstances, define his professional success, Mr. Mascali said. "It's the satisfaction I get from clients for thanking me for being involved in the process...because I assisted them in a very difficult time in their company's history."

Jeff McNatt

Area President
Risk Placement Services Inc.
Atlanta
34

Achievements: When Jeff McNatt was majoring in insurance at the University of Georgia, two risk

Continued on page 26

Continued from page 24
managers helped him land an internship in a broker's risk management department. Mr. McNatt's career took off, and he had three job offers by the time he graduated.

In 1997, he opened RPS' Atlanta office with three people and 28 market contracts. RPS is a property/casualty wholesaler and a unit of Arthur J. Gallagher and Co. Today, more than 30 people work in RPS' Atlanta office, maintaining more than 70 market contracts and producing more than $140 million in premium volume.

On success: Mr. McNatt says he enjoys most aspects of his job. His definition of success lies in finding prosperity and happiness in all aspects of life. Mr. McNatt's staff says that, despite his busy work schedule, he always has time for them.

Tony Miller

Chief Executive Officer
Definity Health Corp.
Minneapolis
37

Achievements: Tony Miller co-founded Definity Health in 1998, establishing one of the first consumer-driven health plan vendors in the United States. Before that, he was a consultant at Deloitte Consulting, where he focused on strategic business development in the managed care industry, including mergers and acquisitions, market development and performance turnarounds. Mr. Miller also worked for United HealthCare at the plan and corporate levels.

Mr. Miller said he is most proud of the fact that he was able to convince investors of the viability of his business model even after the dotcom crash reduced enthusiasm for many startup companies.

Goals: "I want to work for a company that is doing meaningful work. For me, in this case, it's health care. Second, I want to work for a company that forces me to be better than I am, both through the environment that is created and the peers that I am working with."

Finally, Mr. Miller says he wants to provide a return on investment to the investors who provided the financial backing for Definity. "We've raised a lot of money, and part of my job is to return value to those who took a chance on us," he said.

Andrea Paris

Chief Operating Officer
Willis of Illinois Inc.
Chicago
36

Achievements: As chief operating officer of Willis North America's second-largest office, Andrea Paris' responsibilities include building and maintaining a robust service platform, installing tools and processes to enhance new business development, managing expenses so that every dollar goes to support clients or Willis associates and ensuring that all Willis associates have job and career fulfillment. She also continues to produce business for the brokerage, dealing with clients, prospects and insurers on a daily basis.

Among her many accomplishments, Ms. Paris is credited with improving client retention, helping clients obtain better insurance programs and adding a number of new clients to the Chicago office. As a result of her efforts, the Chicago office earned "Turnaround Office of the Year" honors in 2003, as well as Willis' highest grade for internal quality management in early 2004.

Beginnings: "You might say that I had no choice—it was the family business. I've been doing this since I was 17 years old and

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pride myself on having held every job that can be performed in an insurance brokerage. My father and I eventually sold our suburban Chicago agency, South Suburban Insurance, to USI (Holdings Corp.) in 1999, and I was hired by Willis in 2003 by my former USI boss."

> The average age of the men and women in *Business Insurance's* 40 Under 40: People to Watch feature is just under 37 years.

Michael D. Price

President and Chief Underwriting Officer
Platinum Underwriters Reinsurance Inc.
New York
37

Achievements: Michael D. Price is president and chief underwriting officer of Bermuda-based Platinum Underwriters Reinsurance Inc. Before he joined Platinum—then known as St. Paul Re—in 2002, he served as chief operating officer of Associated Aviation Underwriters Inc., a unit of Global Aerospace Underwriting Managers Ltd., and as chief underwriting officer of Swiss Re America Holding Corp.

Mr. Price considers his fellowship in the Casualty Actuarial Society, which he attained several years ago, his biggest career accomplishment to date. "It's a long, arduous process, and it took a lot of work and discipline and education," he said.

Goals: "I would like to be the chief executive officer of a publicly traded reinsurance company. Nevertheless, if I don't achieve that I'm happy with what I've got today."

"You can only really achieve if you surround yourself with highly talented people of high integrity. That's one of the things that I have tried to do and certainly think I have done that here at Platinum."

Imran Qureshi

Office Practice Leader, International Consulting
Watson Wyatt Worldwide
Chicago
34

Achievements: Imran Qureshi joined benefit consultant Watson Wyatt Worldwide in 1999 and now manages a team of experts that consult with top executives of multinational corporations on their employee benefit and compensation plans outside the United States.

Mr. Qureshi has been deeply involved in a wide range of benefit issues for major multinational clients, including multinational benefit pooling and captive insurance company reinsurance arrangements, benefits negotiations with organized labor outside the United States and analysis of benefit plans and liabilities in mergers and acquisitions.

Goals: "I am passionate about my job and being able to provide advice to organizations that impacts positively on their ability to retain and recruit employees. I want to demonstrate client leadership by working with senior executives who shape benefit and compensation programs. I also want to demonstrate thought leadership through publishing and speaking."

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Continued from previous page

Mark Ram

**President and Chief Executive Officer
Markel Insurance Co. of Canada
Toronto
39**

Achievements: In his role as president and CEO at Markel Insurance Co. of Canada, Mark Ram has drawn attention as an innovative leader focused on providing trucking company policyholders with not only the coverage they need but also with a host of services, including driver and corporate training.

In his decade with the 50-year-old insurer, Mr. Ram has transformed it from a nearly insolvent company into a well-recognized leader in the transportation insurance market.

Mr. Ram said he is proud of his role in "building the most recognized franchise in trucking insurance in North America." For years, Markel's reinsurers have "ranked us as the best trucking company in Canada," Mr. Ram said. "Now, they are ranking us as the best in North America."

He has helped build an insurer that is "not viewed as a commodity," Mr. Ram said. He noted that while the company tends "to be one of the most expensive," its service offerings and breadth of coverage allow Markel to consistently post a 90% policyholder retention rate.

On success: Mr. Ram defines success in the insurance industry as "having a vision to chart a new course and break the box. Given our industry's returns, the current box doesn't work." Success, he said, means "being able to say there has to be a different way to do it" and "having the intestinal fortitude to lead and not follow."

James Reid

**General Manager and Head of Small Group for the Northeast Region
Aetna Inc.
Cranbury, N.J.
38**

Achievements: James Reid's responsibilities include sales, underwriting product development, group enrollment, billing, distribution strategies and marketing for small-group business in Aetna's Northeast region, covering New Jersey through Maine. About 250 people report directly to him, and he serves as a mentor to other employees within Aetna. Before joining the insurer, Mr. Reid worked at U.S. Healthcare, a managed care company that Aetna acquired in 1996.

Among the accomplishments he is most proud of are the team he has assembled and their work over the past three years. Mr. Reid says his team delivers a high level of service, product development and innovation to business owners as well as Aetna's distribution partners in the Northeast.

On success: "How I view success...is really being able to lead by example and being an expert in what's most critical to your key constituents. So whether it's understanding how the member is impacted, how the plan sponsor or business owner is impacted, how your distribution partners are impacted, and, of course, how your own employees are impacted, is the key to success. And if you understand what those levers are and understand how each lever connects and as you push, pull and tweak the levers, it's going to have an effect."

Continued on next page

**40 Under 40
People to Watch**

Continued from previous page

Gary Thompson

Partner
Gilbert Heintz & Randolph L.L.P.
Washington
39

Achievements: Gary Thompson got his introduction to insurance disputes in the 1990s, handling environmental cases at the Washington law firm Howrey Simon Arnold & White. He left the firm four years ago, following his Howrey Simon mentor, John Heintz, to become a founding partner of Gilbert Heintz & Randolph, a policyholder firm.

Mr. Thompson has since represented policyholders in matters ranging from political risk and directors and officers liability disputes to the pursuit of asbestos recoveries in the London market and property insurance recoveries following the Sept. 11, 2001, terrorist attacks.

Mr. Thompson also does extensive pro bono work, including helping District of Columbia citizens push for Congressional representation and Sept. 11 family members negotiate claims with the federal Sept. 11 Victim Compensation Fund.

On success: As a litigator, Mr. Thompson said that success is measured both in terms of the battles you win and those you avoid. "If there is enough communication and enough good faith on both sides, you should be able to avoid costly and time-consuming litigation," he said.

Matt Yeldham

Underwriting Director
Wellington Underwriting P.L.C.
London
35

Achievements: Matt Yeldham is the youngest of six underwriting directors at Wellington, where he is responsible for marine and casualty underwriting for Lloyd's of London syndicate 2020. He also is a member of the underwriting executive team for the syndicate, director of Wellington Underwriting Agencies Ltd. and Wellington Syndicate Services Ltd. and is a member of the London market Joint Liability Committee.

His current responsibilities include managing syndicate 2020's underwriting of marine hull, cargo, specie, marine excess of loss and nonmarine liability underwriting. As of June 30, the syndicate had written £150 million ($270.0 million) of marine and nonmarine liability business.

In addition to overseeing business planning and reserving, he is an underwriter on certain lines, mainly casualty business.

Beginnings: Mr. Yeldham was drawn to insurance because he views it as a fascinating business that requires knowledge of a broad range of industries as well as a commercial understanding of how to produce a return on capital.

Products & Services

Liberty Mutual unit offers combined property policy

BOSTON—Liberty Mutual Property, a division of Liberty Mutual Group Inc., has introduced a new commercial property policy form that combines property damage, business interruption and extra-expense coverages into a single form.

The policy, Risk Management Select, intends to help insurance buyers attain more customizable coverage with flexible pricing. Beginning Dec. 1, RM Select will replace the Liberty Mutual Premier Property Policy, the Wausau Highly Protected Risk and the Wausau Business Property Policy forms.

Boston-based LMP's new policy has built standard coverage extensions into the basic form, including coverage for the personal property of employees, fungus cleanup expenses, debris removal and computer virus and denial-of-access expenses. Optional extensions of coverage include errors and omissions liability, new locations as well as demolition costs.

The policy limits available are up to $500 million.

More information can be obtained by visiting *www.libertymutualproperty.com/rmselect*. Liberty Mutual Property products are distributed through a broker network.

MetLife annuity protects employee retirement funds

NEW YORK—MetLife Retirement & Savings has introduced a fixed deferred-income annuity to protect retirement income when other sources of revenue may be running low for near-to-retiring employees and retirees.

The New York-based MetLife Retirement & Savings' longevity insurance product, Retirement Income Insurance, is designed to protect employees from outliving their retirement savings. The product allows employees to set aside a portion of their retirement savings and decide when the income can be collected. Other benefits of this program include the ability to change the age at which income payments can begin, continuing income payment to someone else as a result of the participant's death and a withdrawal option that allows a participant to access his or her funds within 60 days of starting payments.

This is a voluntary benefit employers can offer their employees. It can be funded with a single lump-sum contribution or with premiums, consisting of a $5,000 minimum initial contribution and a $500 minimum for premium payments. It is also portable, allowing employees to continue contributing should they change jobs.

For more information, contact Linda Mackey, national sales director, at 847-285-2410 or *lmackey@metlife.com*. More information can also be obtained by visiting the company's Web site at *www.metlife.com*.

Mutual of Omaha offers consumer-driven plan

OMAHA, Neb.—Mutual of Omaha Insurance Co. is now offering a high-deductible health plan with a health savings account component to help employers contain employee health care costs as well as provide a flexible health plan to employees.

The high-deductible health plan with the HSA option allows employers to choose the plan deductible, co-insurance, out-of-pocket limits and additional funding contributions to the employees' HSAs. It provides employees with integrated medical management, disease management, cost management and pharmacy intervention programs. Employees also have access to online support tools, including the ability to view the status of medical claims and HSA account balances.

The company has teamed up with Howards Grove, Wis.-based HSA Bank to administer the HSA.

For more information, contact Brad Utoft, vp/product manager, at 402-351-2620.

ACE USA expands workers comp coverage

PHILADELPHIA—ACE USA, a division of Bermuda-based ACE Ltd., has expanded its Defense Base Act workers compensation coverage.

The Defense Base Act product now includes risk control and claims management services for DBA workers comp exposures. This program covers prime contractors and subcontractors performing work overseas under contracts approved, authorized or financed by the U.S. government. The DBA workers comp offering is marketed through ACE U.S. International, a unit of ACE USA.

ACE USA's risk management services division, ESIS Inc., provides the risk control and claims management services for the Defense Base Act product. Under the ACE program, the risk control services consist of risk analysis, vulnerability and threat assessment, employee return debriefing and medicals, predeparture assistance and housing security surveys. The claims management services include claims operations, crisis management services, assistance following fatality and managed care for returnees.

For more information about the DBA product, contact William House, senior vp of ACE U.S. International, at 972-465-7814.

Endurance Specialty offers agribusiness reinsurance

PEMBROKE, Bermuda—Endurance Specialty Holdings Ltd. has announced that its White Plains, N.Y.-based subsidiary, Endurance Reinsurance Corp. of America, has formed a new line of business.

The Pembroke, Bermuda-based Endurance Specialty's U.S. subsidiary has formed a new agribusiness reinsurance underwriting division in Orange County, Calif. This division will provide reinsurance for crops and livestock and will develop specialty yield and revenue products for the agricultural industry. It will begin by focusing on U.S.-based risks, and the company intends to expand those services globally in the near future.

More information can be found by visiting the company's Web site, at *www.endurance.bm*.

Guy Carpenter publishes annual catastrophe study

NEW YORK—Guy Carpenter & Co. Inc., the reinsurance intermediary unit of Marsh & McLennan Cos. Inc., has released its annual report on the property catastrophe reinsurance market.

New York-based Guy Carpenter's study, "The World Catastrophe Reinsurance Market: 2004" includes information from more than 20 countries and regions. The report reviews catastrophe risks and the availability of insurance from private or government sources to cover losses from catastrophes. This year's report includes information on two additional countries, Portugal and Turkey. Analytic information for other countries has been expanded as well.

Some of the highlights of the data include the decline in pricing for catastrophe property reinsurance in most countries in 2004, the increase in U.S. terrorism coverage and higher retentions due to the federal government's terror reinsurance program and the increased impact of catastrophe modeling on reinsurance structures and pricing.

The study was released Sept. 13, before hurricanes Frances, Ivan and Jeanne made landfall.

To obtain a copy of the survey, visit the company's Web site at *www.guycarp.com*. For more information, e-mail Guy Carpenter at *marketing@guycarp.com*.

We'd like to report on new risk management and employee benefit products and services offered by your company. Send information about your new offerings to: Carrie A. Brittain, Business Insurance, 360 N. Michigan Ave., Chicago, Ill. 60601-3806; telephone: 312-649-5313; fax: 312-649-7801; e-mail: cbrittain@businessinsurance.com.

Market disputes charge that Franchise Board hampers competition

Lloyd's reforms irksome for smaller firms

By PETA MILLER

LONDON—At least one broker executive is expressing concern that some of the recent reforms of the London market may limit the ability of smaller entities to compete effectively with their larger rivals.

In particular, the marketwide body designed to monitor Lloyd's of London syndicates could stifle the business plans of some syndicates, according to Andrew Agnew, deputy chairman of Agnew Higgins Pickering & Co. Ltd. in London.

And smaller organizations are likely to face more restrictions than are larger organizations that wield more clout in the marketplace, Mr. Andrew told participants at a Risk & Insurance Management Society Inc. symposium held in London last month.

Lloyd's of London created a Franchise Board and Franchise Performance Directorate in January 2003 as part of a series of reform measures in the market. Lloyd's adopted the franchise system to oversee managing agents—the franchisees—and to try to prevent recurrences of the underwriting lapses that had plagued the market with losses in the 1980s and '90s.

The board is, effectively, the governing council of the system and sets profit targets and solvency policy for the market. The directorate manages business planning and ensures that syndicates follow franchise guidelines.

'In my experience, these bodies pick on the smallest; they rarely face up to the big guys and express a contrary opinion....They are not going to stand up to the major writers of of business and threaten the market that way.'

Andrew Agnew
Agnew Higgins Pickering & Co. Ltd.

"I am uncomfortable with the Franchise Board, as I believe in free markets being able to operate," Mr. Agnew told symposium attendees.

The board may also be less likely to confront larger entities operating at Lloyd's because they will likely have more influence in the market, he said.

"In my experience, these bodies pick on the smallest; they rarely face up to the big guys and express a contrary opinion," Mr. Agnew said. "They are not going to stand up to the major writers of business and threaten the market that way."

In a later interview, a Lloyd's spokesman disputed Mr. Agnew's assertion.

"This simply isn't true. We have discussions with all the businesses in our market about their business plans. Size is irrelevant," the spokesman said.

Mr. Agnew said he is also concerned that other aspects of the reforms may not achieve their intended goals. For example, he said, the London Market Principles project does not take account of the resources available to market participants, he said.

The LMP project began in 2001 to explore ways to improve market processes, including setting standards for premium payments, the production of documentation and claims settlements.

A major component of LMP was the development of a new placement slip, which became mandatory from January 2004 and was intended to provide contract certainty. Brokers and underwriters must include on the slip certain features such as risk details and risk assessment from the underwriter.

"The biggest thing arresting contract certainty is that the resources are not there," said Mr. Agnew. "If brokers have a resource pool of 10 people that are dedicated to wordings and policies across the whole broker community, the underwriting resource pool probably has three to four."

"Until the resources are there, we will not get appreciably better, or until people buy a uniformed product," Mr. Agnew said.

David Ibeson, chief executive of Wellington Group P.L.C.'s managing agency, agreed that underwriters have to increase their staffing, but he added that brokers also have to start placement earlier in order to improve the whole process.

LMP is improving the situation, Mr. Ibeson said, "but it is getting the brokers to do it and the underwriters to tell them to."

PHOTO: AFP

Five workers were killed and 12 others injured in a Sept. 27 accident on a construction site at the Dubai International Airport.

Airport reinsured in London market

By PETA MILLER

DUBAI, United Arab Emirates—Losses caused by a fatal accident at a construction site at Dubai International Airport will be covered by London underwriters.

A section of a reinforcement cage being used in the construction of a wall collapsed last Monday morning at a building site for DIA's new Terminal 3, killing five workers and injuring 12 others, according to a statement issued by the airport.

A spokesman for the airport confirmed that the facility has insurance but declined to comment further.

Market sources said, though, that the airport is covered by an airport contractors' policy issued by Dubai-based Oman Insurance Co. Ltd.

Oman reinsured 100% of the policy with underwriters in the London market, led by ACE Global Markets Ltd., sources said.

Suit over supplies to reimporting pharmacies dismissed

By GLORIA GONZALEZ

OTTAWA—A Canadian court has dismissed complaints filed against three major pharmaceutical companies for refusing to supply prescription drugs to Canadian pharmacies suspected of or caught reimporting into the United States.

Canada's Competition Tribunal in Ottawa dismissed the complaints by four retail pharmacies, saying that they had failed to provide sufficient credible evidence that their businesses were adversely affected by the pharmaceutical companies' actions.

The complaints named Pfizer Canada Inc. of Montreal, Novartis Pharmaceuticals Canada Inc. of Montreal and Wyeth Canada of Markham, Ontario. The plaintiff pharmacies were either found to be reimporting prescription drugs into

the United States, or were accused of doing so, in violation of contractual agreements.

The pharmacies said the drug companies offered to reinstate supplies if the pharmacies agreed to conditions such as submitting to four annual audits and signing declarations stating that the pharmacies would neither export prescription drugs nor sell to any person or entity that would export their products.

The pharmacies said their financial viability has been threatened by the actions of the drug companies, because patients who cannot fill all their prescriptions are taking their business to other pharmacies.

The pharmaceutical companies could not be reached for comment on the Canadian tribunal's decision.

World Updates

Converium shareholders OK plan to raise capital

Shareholders of Converium Holding A.G last week approved the Swiss reinsurer's plan to raise around 533 million ($421.1 million) Swiss francs in a share issue. Under the plan, Converium will issue about 107 million shares to current shareholders at an issue price of 5 Swiss francs ($3.95) per share. That price represents a 74.4% discount from the closing share price of 19.55 francs ($15.44) on Sept. 27. A syndicate of banks has agreed to underwrite the rights issue, which should begin this week, Converium said.

Hiscox revises capacity plans

Hiscox P.L.C. has modified its plan to cut the 2005 capacity of its Lloyd's of London syndicate, citing a desire to take advantage of potentially higher rates following the recent hurricanes in the United States. Hiscox earlier said that it would reduce the capacity of syndicate 33 from £847 million to £725 million ($1.53 billion to $1.31 billion), due to the weakness of the U.S. dollar and reduced rates. But last week, the Lloyd's company announced that it would instead cut the syndicate's capacity only to £775 million ($1.40 billion).

Storm losses prompt reinsurer profit warnings

Munich Reinsurance Co. said that it expects to record a total loss of about 500 million euros ($615.4 million) from recent hurricanes and typhoons, which the reinsurer said may cause it to fall short of its 2004 earnings targets. The company estimates its losses will be 75 million euros ($92.3 million) for Charley; 65 million euros ($80.0 million) for Frances; 215 million euros ($264.6 million) for Ivan; and between 80 million euros ($98.5 million) and 100 million euros ($123.1 million) for Jeanne. In addition, Bermuda-based reinsurer RenaissanceRe Holdings last week said it expects the combined losses from the four hurricanes that hit the United States will have a $425 million negative impact on its 2004 third-quarter earnings.

Brokerage forms in London market

A new broker, Oxygen Insurance Brokers, has set up in London. The company's brokerage arm will place mainly casualty and short-tail specialty risks with Lloyd's of London and insurers in the London company market and hopes to generate revenues of between $10 million and $15 million in its first two years. In addition, it will operate as a managing general agency for professional liability and various short-tail specialty lines.

Between the Lines

Compiled by Joanne Wojcik

A bitter pill

A Pfizer Inc. executive who is lobbying Congress in support of the reimportation of prescription drugs says his employer is probing his political activities.

Dr. Peter Rost, vp of marketing for endocrine care at New York-based Pfizer, said the inquiry took him by surprise, because "I speak as a private citizen and do not in any way represent Pfizer in my public appearances and also do not comment on Pfizer. I am simply exercising my constitutional right to campaign for a candidate, a bill or an issue on the political agenda," he told *Business Insurance.*

He said that since he began speaking out, he has been interrogated about his contacts with the press, senators, lawmakers and their aides.

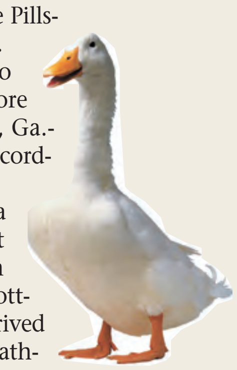
"I've also had to answer questions about all my planned future political activity, which senators and congressmen and governors have contacted me, where I will appear to speak and who is paying for travel," Dr. Rost said.

Pfizer could not be reached for comment.

In testimony before Congress, Mr. Rost said that reimportation has been safely practiced for years by European countries to save money and that "it is outright derogatory to claim that Americans would not be able to handle reimportation of drugs when the rest of the world can do this."

Duck and coverage

AFLAC's "spokesduck" has been inducted into Madison Avenue's Advertising Walk of Fame as one of America's most beloved brand icons, beating out the M&M characters, Mr. Peanut, the Pillsbury Doughboy and Tony the Tiger in popularity.



The series of commercials featuring a duck who squawks the company's name has generated more than 90% brand recognition for the Columbus, Ga.-based insurer since it was introduced in 2000, according to sponsors of the annual competition.

This year's winners were announced during a Walk of Fame dedication ceremony held last month in Times Square that featured a procession of all 26 nominated brand mascots and Gilbert Gottfried, celebrity crony of the AFLAC Duck, who arrived by convertible with a giant plush replica of his feathered friend.

The top five finalists were selected through a nationwide online voting process in which consumers cast their ballots using a dedicated Web site provided by Yahoo! Voting took place from July 26 through Sept. 20.

Insurance, cycles

Cyclist Lance Armstrong is suing Dallas-based SCA Promotions Inc. to recover a $5 million bonus he was promised for winning the Tour de France for a sixth time.

SCA, which writes "indemnity contracts" to finance prizes and bonuses, put Mr. Armstrong's 2004 Tour victory winnings in a custodial account with J.P. Morgan pending the outcome of a claims investigation prompted by allegations in an unauthorized biography that he used performance-enhancing drugs, said John Bandy, an SCA attorney.

PHOTO: NY TIMES

Mr. Armstrong, wearing the yellow jersey, won a record sixth Tour de France.

The book, "LA Confidential: The Secrets of Lance Armstrong," contains statements from a former masseuse for the U.S. cycling team that Mr. Armstrong had used the banned drugs. He and his sponsors have denied the claims, noting he had passed every drug test administered by race authorities.

Tailwind Sports, the parent company of Mr. Armstrong's cycling team, purchased the indemnity contract from SCA in 2001 for $420,000. It was to pay bonuses to Mr. Armstrong that increased in value every time he won the Tour de France. SCA paid a $1.5 million bonus for his 2002 Tour victory and a $3 million bonus in 2003. Mr. Armstrong was to receive another $5 million bonus for winning again this year.

Tips and feedback from readers are welcomed. Please send information to jwojcik@businessinsurance.com.

Rollover: Safe harbor created

Continued from page 3

To allay employer concerns that transferring benefit distributions to an IRA could expose them to fiduciary liability, Congress required the Labor Department to draft a safe harbor that would protect employers from such liability.

In addition, Congress said the benefit rollover mandate would not apply until the Labor Department finalized the safe harbor requirements. The final regulations, published in the Sept. 28 issue of the Federal Register, will go into effect in late March 2005.

Most safe harbor eligibility requirements in the final rules mirror those in the proposed rules. For example, the IRA provider selected by an employer must be a state or federally regulated financial institution. In addition, the distribution itself must be invested in a product designed to preserve principal and provide a reasonable rate of return. Those products, the Labor Department says, would include money market funds and interest-bearing savings accounts and certificates of deposit of banks or similar financial institutions.

Like the proposed regulations, the final rules require that any fees imposed by the IRA provider be comparable to those it charges for other types of rollover distributions going into IRAs.

However, the final rule eliminates an additional requirement that any fees, with the exception of a startup fee, not exceed income earned by the IRA.

IRA providers told the Labor Department that income generated by an account—given that the initial account balance would be low and that the funds rolled over would have to be invested conservatively—would be small, while maintenance costs would be relatively high.

If such a fee-limiting requirement were put in place, it could severely limit the number of available IRA providers, the department was told, a point regulators accepted.

The department, after "careful consideration," said requiring that fees be comparable to those of other IRA rollover products without limiting provider fees to income generated by the IRA would be sufficient to protect IRA participants from being assessed unreasonable charges without discouraging providers from offering rollover IRAs.

Benefit experts say the change was needed to ensure an adequate number of providers in the IRA rollover market.

The rollover requirement would be meaningless if there were no market providing IRAs for the distributions, said Anne Waidmann, a senior consultant with the human resources unit of PricewaterhouseCoopers L.L.P. in Washington.

In a less substantive change, the department said the safe harbor mechanism also could be used for pension distributions of less than $1,000.

Under federal law, employers are allowed to cash out pension benefits of participants who terminate employment if the value of the benefit is less than $5,000.

That cashout option is attractive to employers because the administrative cost of maintaining a separated employee's account balance is high in relation to the small value of the benefit. By cashing out an employee, the employer does not have to include that individual—in the case of defined benefit plans—in calculating the premiums it must pay to the Pension Benefit Guaranty Corp.

In the case of both defined benefit and defined contribution plans, cashing out former employees eliminates the need for employers to send financial and other plan reports to the individuals.

Small pension distributions are common when an employee quits after a few years of service and participated in a final-average-pay plan in which benefits earned during the first few years of employment are low.

EBIS directory deadline approaching

Business Insurance will publish its annual online Directory of Employee Benefit Information & Communication Systems in conjunction with the Nov. 8 issue. That issue will also contain a Spotlight report on benefit technology and online solutions and a chart of the top benefit information systems. A chart of the top benefit communication systems will be published in the Dec. 6 issue. The directories are published as an editorial service; there is no charge to be included.

To be included in this directory, your company must produce and supply proprietary computer software products and interactive benefit communication software directly to corporations for the purpose of managing their own employee benefit plans. Companies that deal only in hardware and/or support services are not eligible to be listed.

If your company meets the requirements and has not received a questionnaire, please request one immediately by calling Directory Editor Kevin P. Edison at 312-649-5279.

Copies of the questionnaire also can be printed from the Directories area of *Business Insurance*'s Web site, at *www.businessinsurance.com.*

Completed questionnaires must be submitted by the extended deadline of Oct. 22.

NAPSLO: Competition starting to drive down rates

Continued from page 4
walked away from writing "habitational" coverage, which includes policies for apartments and other commercial real estate. Rates for that business have dropped too low, they note. Habitational business often exits the E&S market early on when standard market conditions first soften, insurers say.

While competition from standard market insurers has forced down the prices for property policies producing annual premiums above $100,000, rates for smaller accounts remain flat, Mr. Kaufman said.

Differences in discipline

General liability rates, though, remain strong, although there is now more competition for those accounts, said Scott J. Bayer, senior vp in New York for the general liability division of Liberty National Underwriters, a unit of Liberty Mutual Group Inc. For some classes of business, general liability rates are still firming, while they have leveled off for others, and some have seen decreases.

"But I still think the rates are adequate and strong as an industry," while underwriters' discipline is holding despite increased competition, Mr. Bayer added.

Underwriter discipline is not holding across the entire industry, though, said Letha E. Heaton, senior vp at Evanston Insurance Co., a Deerfield, Ill.-based unit of Markel Corp.

"We are seeing more aggressive pricing, less discipline in more tough segments of our industry," Ms. Heaton said. In particular, she said, some new underwriters of medical malpractice coverage for doctors are pricing coverage below expiring rates.

That is a disturbing trend, Ms. Heaton said. Even flat renewal pricing would not cover claims costs, she explained, because tort reform measures have not provided significant relief and because the likelihood that a doctor will face a lawsuit increases with each year he or she practices medicine. Therefore, insurers need to collect annual rate increases just to offset the growing exposure doctors face the longer they are in practice.

Evanston, she said, recently tightened its coverage for hard-to-place physicians. The insurer has specifically been excluding prior acts or losses that occurred before its writing of a policy, "which is something we have historically not done," Ms. Heaton said.

To make up for a resulting loss of market share, the insurer is attempting to "selectively expand" its writing of standard physicians' coverage.

"But the truth is, we expect that our physicians' book will shrink in the number of policies we write, as what we call 'naive capacity' comes on line," Ms. Heaton said, referring to new competitors.

Lexington, a unit of American International Group Inc., will also hold the line and write business

> **'It's really been over the past two months that, in professional liability, we have started seeing very interesting, very schizophrenic pricing.'**
> *Marie P. Solomon*
> *Victor O. Shinnerer & Co. Inc.*

only when it can earn an underwriting profit, Mr. Kelly said.

"It comes to a point where, if a deal just does not make sense, we are going to let it go," Mr. Kelly said.

Lexington has done just that, for example, in writing hospital medical malpractice coverage, which has seen growing competition from other insurers and some buyers turning to self-insurance mechanisms, he said.

In contrast, professional liability insurance pricing for some smaller medical facilities, such as dialysis centers and outpatient surgery facilities, remains "very healthy and still rising," depending on their location, said John Edack, executive vp in Arch Capital Group Ltd.'s Western region in San Francisco. Arch handles its nonadmitted business through Arch Specialty Insurance Co.

"The harder-to-place risks are still the harder-to-place risks," said Michael J. Gill, president of GE Insurance Solutions' E&S Individual Risk in Chicago. "Particularly in areas like construction and in professional liability lines. As a result, the pricing is staying firm."

But increased competition from the standard markets has forced some rates for product liability coverage to drop to the point where GE has declined to write the business, Mr. Gill said.

While several insurers attending the NAPSLO convention reported that they will hold the line on rates by declining unprofitable business, others appear more interested in pursuing market share, said Marie P. Solomon, managing director for Victor O. Schinnerer & Co. Inc. in Chevy Chase, Md.

That factor, along with the appearance of new competitors in the excess and specialty market, will make it difficult for conservative insurers to stand firm on rates, Ms. Solomon said. The outlook represents a change from the past two years, when increases were a given.

"It's been a good couple of years," Ms. Solomon. "Now the competition is coming back in a hurry."

Indeed, nervousness over the potential for further rate declines pervaded NAPSLO's convention, said Mike Johnston, senior vp of development for CRC Insurance Services Inc. in Birmingham. NAPSLO members are anxious that, should some insurers decide to take significant price declines, others will have to follow.

Competition has already brought some drastic price reductions, Ms. Solomon noted.

"It's really been over the past two months that, in professional liability, we have started seeing very interesting, very schizophrenic pricing," Ms. Solomon said. One example, she said, is rates for real estate errors and omissions coverage that have dropped as much as 40% below where they should be.

In reaction to changing market conditions, more insurers are beginning to hunt for new opportunities that could result in new coverages, NAPSLO attendees said.

Last year, maybe one or two insurers showed interest in new coverage ideas presented to them by a managing underwriter, said Mike Warfield, president of U.S. Risk Underwriters Inc. in Dallas.

"Now, more than half are starting to really seriously think, 'What can we do, and who are the right people to partner with?'" Mr. Warfield said.

2004 NAPSLO Annual Convention

Employee benefits distributors increasingly acquisition targets

By ROBERTO CENICEROS

ORLANDO, Fla.—Commercial property/casualty insurance brokers, along with banks, are increasingly interested in acquiring employee benefits distributors, according to two investment bankers.

Property/casualty operations will continue to account for the majority of brokers' merger and acquisition targets, the two managing principals at WFG Capital Advisors L.P. in Harrisburg, Pa., told attendees of the recent annual convention of the National Assn. of Professional Surplus Lines Offices Ltd. in Orlando, Fla.

However, brokers know that rising health insurance costs mean increased premium volume from employee benefits product sales, which is fueling their interest in increasing their benefits distribution capabilities, said WFG's Steven S. Wevodau.

Property/casualty brokers also realize that premiums coming from employee benefits are less volatile than those derived from property/casualty lines, he said.

"Three years ago, commercial retail and commercial wholesale (brokers) were at the top of the list of many distributors and their acquisition strategy," Mr. Wevodau said. "There is still a level of interest, but the heightened interest is actually in the benefits product line."

Additionally, some banks that previously viewed property/casualty products as having good potential for cross-selling to their customers now see benefits as an easier way to broaden their product offerings, said Robert J. Lieblein, also of WFG.

> **'While the trend right now is slowing down from the banking standpoint, it's going to pick up again. Over the next 18 to 24 months, you will see banks continue to acquire more.'**
> *Robert J. Lieblein*
> *WFG Capital Advisors*

"That is a dynamic that has changed over the last 12 months, and you will continue to see that change—that is, a renewed and tightening emphasis on well-run employee benefits operations," Mr. Lieblein said.

Overall, bank acquisitions of insurance brokerages have slowed as some smaller banks have saturated their markets and larger banks are busy assimilating earlier acquisitions, the speakers said. But bank interest in insurance brokerages will accelerate again, they predicted.

"While the trend right now is slowing down from the banking standpoint, it's going to pick up again," Mr. Lieblein said. "The trend is going to change. Over the next 18 to 24 months, you will see banks continue to acquire more."

There were 182 announced insurance brokerage acquisitions in 2003, Mr. Lieblein said, noting that property/casualty brokerages accounted for 67% of those transactions. Employee benefits operations made up 13%, life and health accounted for 7% and the remainder involved other types of operations.

In addition, he noted that 156 of the deals—or about 85%—involved retail brokerages, while the rest were wholesale operations. This year, there had been 120 deals as of June 30, so the total number for the year could outpace 2003 by about 35%.

It is still too early to tell how the acquisition of employee benefits operations will affect broader trends in broker consolidation, Mr. Wevodau said. "But our sense is that it should begin to have some form of impact over the next six to 12 months," he added.

2004 NAPSLO Annual Convention

Surplus lines industry's premium volume rises

Direct premium volume generated by the surplus lines industry increased by 28% during 2003 to $32.8 billion, according to an A.M. Best report released at the 2004 annual convention of the National Assn. of Professional Surplus Lines Offices Ltd.

The 2003 increase followed a 62% jump in direct premium volume during 2002, according to the report, which was released by Kansas City, Mo.-based NAPSLO. The report attributes the sharp rise to increased rates during the hard market of 2001-2003 and a "tremendous migration of business from the standard market into the surplus lines market."

The report also found that domestic surplus lines insurers during 2003 retained a median Best rating of A, compared to a median Best rating of A- for standard lines insurers.

About 2,800 people registered for the annual convention, held Sept. 19-22 in Orlando, Fla. At the convention, NAPSLO elected Richard L. Polizzi, president and chief executive officer of Western Security Surplus Insurance Brokers Inc. in Pasadena, Calif., to serve as president of the 30-year-old organization.

The 2005 NAPSLO Annual Convention will be held Sept. 14-18 in San Francisco. For more information, see *www.napslo.org*.

Storms: Industry disagrees about impact on rates

Continued from page 1

that Hurricane Frances cut through the state on Sept. 5.

Property catastrophe modeling company AIR Worldwide Corp. of Boston, a unit of the Insurance Services Office Inc. of Jersey City, N.J., estimates that Jeanne caused between $5 billion and $9 billion of insured damage, with commercial damage accounting for 30% of the total.

Oakland, Calif.-based modeling company EQECAT Inc., a subsidiary of risk management consultant ABS Group Inc. of Houston, estimates that the storm caused $6 billion to $8 billion of insured damage.

While Frances dumped more rain on Florida, Jeanne had higher sustained winds, noted Thomas Larsen, a senior vp with EQECAT. Jeanne finished demolishing structures that Frances had already damaged, including some that were further weakened during repairs that had been started, Mr. Larsen said.

So far this hurricane season, which does not officially end until Nov. 30, the four hurricanes that have struck the U.S. mainland have killed dozens.

In their wake, the storms have left behind between $19 billion and $35 billion of insured losses, AIR estimates.

EQECAT estimates total insured damage at around $25 billion.

The catastrophe modelers have estimated that the storms caused between $1 billion and $4 billion of additional insured losses on several Caribbean islands, where the storms and resulting flooding have been far deadlier.

The AIR and EQECAT estimates include business interruption losses, but neither factor in losses covered by alternative risk financing vehicles.

By comparison, Hurricane Andrew, which caused the greatest insured storm loss in U.S. history, caused $15.5 billion of damage when it struck Florida and the Gulf Coast in August 1992, according to the New York-based Insurance Information Institute. In its latest reevaluation of Andrew's cost to the industry, the III estimates that the storm caused $20 billion of damage in 2002 dollars.

Several experts say the losses, while significant, are not large enough now to harden the property reinsurance and the property insurance markets.

While the market's depleted capital will have to be restored and its earnings will have to be improved, "it's unlikely" the hurricane losses would reverse the recent softening in the property market, said Rich Attanasio, a managing senior financial analyst with insurer rating agency A.M. Best Co. of Oldwick, N.J.

The losses "just may slow" the pace of the softening market, Mr. Attanasio said.

Amid what experts say was an exceptional year for property and casualty insurers, the insurance industry is better poised to handle catastrophes now than it was when Hurricane Andrew struck. Unlike 12 years ago, rates are adequate now, and policyholders retain much more risk, they said.

"The good news is the markets are not panicking," said Alexandra Glickman, area vice chairman and managing director of the real estate and hospitality services division at Arthur J. Gallagher & Co. in Glendale, Calif.

Ms. Glickman said she did "not see an upward correction at this point."

"For the upcoming renewals, we'll still see some rate decreases and stabilization, but not the premium roller-coaster ride we've all been on in the past three years," Ms. Glickman said.

Indeed, she predicted that insurance buyers that have had an "exceptionally difficult" time budgeting and planning in the erratic insurance marketplace since the Sept. 11, 2001, terrorist attacks will finally experience some relief.

"The bottom line is the industry is so much better prepared now they were for Hurricane Andrew," said James H. Costner, a Nashville, Tenn.-based senior vp and property insurance consultant for Willis Risk Solutions, a division of Willis Group Holdings Ltd.

"They have cat models, they have higher deductibles and much more reinsurance," Mr. Costner

Continued on next page

PHOTO: NY TIMES

Insured losses from the four hurricanes that have hit the United States so far this season are estimated to be as high as $35 billion. Here, a beachfront structure in Gulf Shores, Ala., damaged by Hurricane Ivan, leans toward the Gulf.

Professional MarketPlace

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LEGAL NOTICE

IN THE SUPREME COURT OF BERMUDA
CIVIL JURISDICTION
2004 : No. 223
IN THE MATTER OF THE SEVEN CONTINENTS INSURANCE COMPANY LTD.
IN THE MATTER OF THE COMPANIES ACT 1981, SECTION 99

SCHEME EFFECTIVE DATE AND BAR DATE

NOTICE IS HEREBY GIVEN that the Scheme of Arrangement between The Seven Continents Insurance Company Ltd. ("7CI" or the "Company") and its Creditors became effective on 1 October 2004.

In accordance with the terms of the Scheme, Creditors are now required to file a Distribution Claim Form on or before the Bar Date which is 30 November 2004 (being 60 days following the Effective Date i.e. 1 October 2004). THESE FORMS MUST BE COMPLETED AND FILED EVEN IF YOU HAVE ALREADY FILED A PROXY/VOTING CLAIM FORM

Distribution Claim Forms are being forwarded to all Creditors by post and are also available from the website – **www.kpmg.bm/sevencontinentsscheme.** If you have not received a Distribution Claim Form, you may obtain one from the website or the offices of the Company c/o QBE Management (Bermuda) Ltd, Swan Building, 26 Victoria Street, Hamilton, HM 12, Bermuda (attention: Roy Lumley).

Creditors must return the completed Distribution Claim Form so as to reach the Company at the offices of QBE Management (Bermuda) Ltd at the above address on or before the Bar Date.

Distribution Claim Forms can also be faxed to the Company on the fax number: **441 292 5302** (attention: Roy Lumley). Instructions on the completion of the Distribution Claim Form are provided on the reverse of the form.

Failure to file a Distribution Claim Form by the Scheme Bar Date will result in Scheme Creditors receiving distributions under the Scheme equal to the Paid and discounted OSLR balances held on 7CI's books as at the 30 June 2004. The Scheme Creditor will not be able to claim any amounts for IBNR nor will the Scheme Creditor be allowed to rely upon the terms of the Scheme Adjudication process.

Roy Lumley
Director
1 October 2004

Continued from previous page
said.

In addition, Mr. Costner estimates that the total surplus in the worldwide insurance and reinsurance market is about $500 billion, having increased more than $60 billion in the last year alone.

Mr. Costner said he expects that the hurricane losses will prompt some market changes. The psychological effect on underwriters likely will lead to more cautious windstorm underwriting, at least temporarily, he said.

But, "the math doesn't justify a huge market correction yet," he said.

"And I think it won't until the loss is somewhere between $45 billion and $50 billion dollars," Mr. Costner said.

Bob Howe, director of global property placement for New York-based Marsh Inc., noted that the brokerage is "already seeing some signs of changes in the Caribbean marketplace and some pushback from underwriters."

"We will probably see some flattening in the Florida and coastal marketplace," he said.

But, "in the area of the market that affects our larger commercial clients, the losses to the underwriters at this juncture don't seem significant enough to alter the course of the market," Mr. Howe said.

Indeed, for commercial risks, the four hurricanes have caused between $15 billion and $16 billion of insured damage, estimated Gary Marchitello, managing director-national property syndication for Aon Corp. unit Aon Risk Services Inc. of New York.

In addition, policyholders today assume much larger loss deductibles than they did 12 years ago, Mr. Marchitello noted.

Still, the market cannot absorb storm losses for another two months without needing to react, he said.

"One more storm could push it over the edge" into a hard market, he said. "Certainly, a $10 billion storm would be a market-changing event," and a $5 billion loss even could drive up reinsurance and insurance rates.

Robert P. Hartwig, senior vp and chief economist for the III, said he anticipates the industry may undergo rate pressure, "but on a local level."

The majority of rating action will affect Florida homeowners, as well as Gulf and Southeast coast commercial property insurers and reinsurers, he said.

But, "these events are not enough to turn the market," Mr. Hartwig said. "Even if you were to have another $5 billion to $6 billion dollar hurricane, like Ivan, it would not be enough to turn the market," he said.

Other experts say the hurricane losses already are sufficient to turn the market.

Based on the relatively small amount of catastrophic losses in 2002 and 2003, reinsurance rates at the beginning of 2004 were adequate, said Paul Delbridge, a partner in the insurance industry practice at PricewaterhouseCoopers L.L.P. in London.

But, given the unanticipated losses so far this hurricane season, "I think, actually, rates will almost certainly go up now," Mr. Delbridge said.

Referring to the property insurance rate boost after the 2001 terrorist attacks in the United States, Mr. Delbridge said, "I think history will repeat itself."

ISO'S Property Claim Services unit estimates that the attacks caused $20 billion of insured property damage.

The quadruple impact of the hurricanes will mean higher prices and attachment points on some windstorm-exposed catastrophe covers during year-end reinsurance renewals, predicted Kenneth LeStrange, chief executive officer of Endurance Specialty Holdings Ltd. in Bermuda.

Bill Adamson, CEO of Norwalk, Conn.-based intermediary Carvill America Inc., agreed that prices likely will rise for ceding insurers that have pierced their catastrophe layers.

The storms were a "market-correcting event" in the Caribbean, said Jonathan Isherwood, president-global property for GE Insurance Solutions in Munich, Germany.

For U.S. risks, regional insurers face much bigger losses than companies that write nationwide, said Ken Slack, the Barrington, Ill.-based senior underwriter for North American catastrophe treaty business for GE Solutions.

For some regional companies, hurricane losses have eaten up between 10% and 20% of their surplus, so "they have to replace that surplus," Mr. Isherwood said.

He also asserted that reinsurers and insurers are going to have to reassess their U.S. hurricane risk as a frequency risk rather than as "single mega event" risk and price accordingly.

Douglas McLeod contributed to this report.

PHOTO: AFP

Hurricane Jeanne's powerful winds caused widespread damage, including overturning aircraft at Palm Beach International Airport near Palm Beach, Fla.

PHOTO: SIPA

Properties in Mobile, Ala., such as this gas station, were severely damaged when Hurricane Ivan pounded the state last month.

Staff: *BI* announces new editor and promotions

Continued from page 3
ing ventures, including conference television programs that were broadcast during the Risk & Insurance Management Society Inc.'s annual conferences, the *BI* Web site and daily online news, as well as a daily news edition for insurance industry conferences.

He received a bachelor of arts degree in English composition from DePauw University in Greencastle, Ind. Mr. Winston can be reached at 312-649-5442 and at *pwinston@businessinsurance.com*.

Mr. Coccia joined *BI* in 1993 and served as a copy editor and assistant managing editor before his promotion to managing editor in 1998. His responsibilities at the magazine have included editing, coordinating reporting and production, managing the editorial staff and advising on the RIMSTV and conference news products.

He graduated from the University of Notre Dame in Notre Dame, Ind., with a bachelor of arts degree in American studies. Mr. Coccia can be reached at 312-649-5274 and at *rcoccia@businessinsurance.com*.

In addition to these changes, *BI* has made several other promotions in its editorial and sales departments.

Gavin Souter has been promoted to managing editor. Mr. Souter has served as assistant managing editor-news in the New York bureau since 2001, coordinating and assigning news stories for both the magazine and the Web site. He will relocate to Chicago, where his responsibilities will include managing the newsroom. Mr. Souter joined the magazine in 1991 as an associate editor in the London bureau. He moved to New York in 1993 and became bureau chief in 1996.

Mr. Souter graduated from the University of Nottingham, England, with a bachelor's degree in theology. He can be reached at *gsouter@businessinsurance.com* and by phone at 212-210-0288 until his move to Chicago this fall.

Amy R. Kepka, previously assistant graphics editor and online editor, has been promoted to online producer. Based in Overland Park, Kan., she will be responsible for the design, coordination and technical aspects of the Web site and interactive products.

Ms. Kepka joined the magazine in 1997, after graduating from the University of Kansas in Lawrence with a bachelor of science degree in journalism. She can be reached at 913-339-9748 and at *akepka@businessinsurance.com*.

Chris Crain has been promoted to interactive sales manager. Mr. Crain, who previously was a district manager for the magazine, will continue to be based in New York and will focus on sales efforts for the Web site and interactive ventures as well as *BI*'s print products.

He joined the magazine in 2001, with sales responsibility for accounts in the Middle Atlantic region. Prior to that, Mr. Crain was a marketing coordinator at Crain's New York Business and was a production manager at Crain's Detroit Business, both of which are sister publications of *BI*.

Mr. Crain has a bachelor of science degree in political science from Rollins College in Winter Park, Fla. He can be reached at 212-210-0135 and at *ccrain@businessinsurance.com*.

Tina Vasilakis has been promoted to classified advertising manager in Chicago. She succeeds Irais Amleshi, who resigned to spend time with her family. In her new role, Ms. Vasilakis will be responsible for advertising in the Professional MarketPlace and Business Resources sections of the weekly magazine. She previously was sales assistant for *BI* and before that worked in the sales and marketing department of Crain's Chicago Business, a sister publication of *Business Insurance*.

She has a bachelor of arts degree in speech communications from the University of Illinois at Champaign-Urbana. Ms. Vasilakis can be reached at 312-649-5340 and at *tvasilakis@businessinsurance.com*.

Mr. Souter

Ms. Kepka

Mr. Crain

Ms. Vasilakis

IBM: Partial settlement offered in cash balance dispute

Continued from page 1

in the form of enhanced benefits—$320 million to plan participants. That part of the settlement relates mainly to claims involving IBM's 1995 conversion of its traditional final-average-pay plan to a pension hybrid known as a pension equity plan.

Under the other part of the settlement, IBM will appeal Judge Murphy's ruling that the cash balance plan it set up in 1999—succeeding its pension equity plan—discriminated against older employees. If IBM prevails on appeal, it will have no additional liability. If IBM loses, its liability to plaintiffs would be capped at $1.4 billion, paid in enhanced pension benefits. IBM earlier calculated the value of its potential liability if Judge Murphy's ruling was affirmed at $6.5 billion.

IBM cited practical business considerations in explaining its decision to settle. "IBM believes the agreement in principle to settle certain claims is in the best interest of our business and our shareholders, since it caps IBM's potential liability on all claims," IBM Treasurer Jesse Greene said in a news conference.

Dispute continues

IBM is continuing its legal battle over whether its plan is age discriminatory—to be waged before the 7th U.S. Circuit Court of Appeals in Chicago—to resolve whether it will have to pay out another $1.4 billion.

"IBM firmly believes that the district court's ruling is wrong as a matter of law and that the interests of IBM, our employees and the employees at other companies will be well served by bringing this issue to the appellate court as quickly as possible," Mr. Greene said.

In his July 2003 ruling, Judge Murphy found the plans to be discriminatory because the identical benefits provided to an older employee as a younger one would purchase a much smaller retirement age annuity for the older individual.

'The future of the defined benefit plan system is at stake. As a result, Congress must act favorably to ensure that employers can continue' to offer these plans.

Rita Metras
Eastman Kodak Co.

Judge Murphy's decision sent shock waves through the employer community because, if upheld, it would invalidate virtually every cash balance plan.

The ruling "would jeopardize over 1,000 pension plans," said Mark Ugoretz, president of the ERISA Industry Committee in Washington.

Some applaud IBM for partially settling the suit but allowing the key legal question to go forward.

"It is a creative solution that gives IBM some financial certainty but still provides for an appeals court ruling on the major legal issue," said Judy Mazo, senior vp and director of research in the Washington office of The Segal Co.

Many concur that how the appeals court rules could have a huge impact on the future of cash balance plans. Employers now sponsor about 1,200 cash balance plans, and more than 20% of defined benefit plan participants are covered by the plans, according to the Pension Benefit Guaranty Corp.

An adverse decision, some say, could lead employers—fearful of being sued and liable for big damage awards—to freeze or terminate the plans and move to defined contribution arrangements.

"Should the original ruling be affirmed on appeal, I would anticipate a mass exodus from these plans," said Ethan Kra, chief actuary for Mercer Human Resource Consulting in New York.

Mr. Kra and others say the implications of an adverse appeals court ruling would be devastating to the defined benefit plan system. As employers move to defined contribution plans, the PBGC, which is already struggling financially, would lose premium income at a time when it most needs it, while employees would lose the shield from investment risk that defined benefit plans provide.

"The stakes are enormous for the defined benefit plan system," Mr. Kra said.

Conversely, if the appeals court reverses Judge Murphy's ruling, employers with cash balance plans likely would continue them, experts say.

"If the appeals court rules in favor of IBM, that would be great news for other cash balance plans," said Jeff Davis, a director in the human resources unit of PricewaterhouseCoopers L.L.P. in Washington.

But employers are going to have to wait a while before the appeals court rules. IBM itself says that after the settlement procedures are completed, which could take several more months, the appeals process could last between nine and 15 months. That means it could be at least two years from now before the appeals court rules on the case.

Some say the only way to ensure that the plans continue is for Congress to act and pass legislation making clear that the plans are legal.

"The future of the defined benefit plan system is at stake. As a result, Congress must act favorably to ensure that employers can continue" to offer these plans, said Rita Metras, director of worldwide benefits at Eastman Kodak Co. in Rochester, N.Y.

"Even if the appeals court rules for IBM, we still need a national solution, and that can come only from Congress," said Kyle Brown, an attorney with Watson Wyatt Worldwide in Washington.

To date, though, Congress has shown more hostility than support for the plans. Last year, for example, it pressured the Treasury Department to withdraw proposed regulations that would have made it clear that the basic design of cash balance plans—giving plan participants pay-related credits and interest on their accounts—did not violate age discrimination law.

And recently, the House of Representatives approved legislation sponsored by cash balance plan critic Rep. Bernard Sanders, I-Vt., to bar the Treasury Department from taking any action that would have the effect of overturning Judge Murphy's ruling.

But some say a favorable legislative solution could be possible in the next congressional session. "The current committee leadership really wants to do something," said Scott Macey, a senior vp with Aon Consulting in Somerset, N.J.

A changing workforce

The history of cash balance plans goes back to 1985, when Bank of America Corp. set up the first plan. Few employers initially followed suit, and it wasn't until the middle and late 1990s that large numbers of employers began to convert their traditional plans to cash balance plans.

Employers said their adoption of the plans was motivated by several factors. Many said the plans were more in step with the changing demographics of their workforce. Because the benefit formulas of cash balance plans are based on career average pay, benefits accrue much more quickly than they do in traditional final average pay plans, which are skewed in favor of longer-service employees.

Employers said cash balance plans would have greater appeal and value to an ever more mobile workforce in which fewer and fewer employees spend their careers at one company.

Additionally, employers said the design of the plans was much easier to understand than are traditional plans, making them more appealing to employees.

But plan critics said the adoption of the plans was a way for employers to mask future benefit cuts for older, longer-service employees. They also said that in some cash balance plan conversions in which employers did not give all employees a choice between staying in the old plan or switching to the new plan, longer-service employees could be hurt. That could occur if longer-service employees were just on the edge of earning meaningful benefits in the old plan but would not work long enough to earn significant benefits in the cash balance plan.

TRIA: House panel passes extension

Continued from page 4

that the committee approved an amendment to the act that would add group life insurance to the lines of insurance covered by the backstop program. The group life amendment was offered by Financial Services Committee Chairman Mike Oxley, R-Ohio, and co-sponsored by Rep. Frank and several other key lawmakers from both sides of the aisle. As Rep. Oxley put it, group life should be added to TRIA under the same conditions as the already-covered property/casualty lines because another catastrophic terrorist attack "would significantly impact the solvency" of the group life industry.

Sponsors of two proposed amendments withdrew them after the committee leadership agreed to take their concerns into account when the extension bill reached the full House. A so-called "soft landing" amendment, offered by Reps. Michael Capuano, D-Mass., and Steve Israel, D-N.Y., would have changed the extension bill to provide TRIA protection for any one-year policy issued in 2007, the extended program's last year.

The other, offered by Reps. Brad Sherman, D-Calif., and Ginny Brown-Waite, R-Fla., would have instructed the Treasury Department to

Possible House passage of the bill 'sends a strong signal that this is a bipartisan issue, important to all segments of the economy and all regions of the country.'

Julie Gackenbach
Property Casualty Insurers
Assn. of America

undertake an annual study of the cost and availability of homeowners insurance for losses resulting from natural catastrophes, such as hurricanes and earthquakes.

Rep. Frank, generally considered a friend of the consumer movement, took time to explain why he supported the extension despite the vocal opposition of the Consumer Federation of America, which maintains that extension of the law is unnecessary and could force taxpayers to pay for terrorism losses that the insurance industry could otherwise afford. He said he did not "regard this is a consumer issue" in the usual sense of the term. "This is not a piece of legislation that somehow disadvantages individual consumers," he said. "We do some good and no harm by passing this legislation."

The panel's vote will help "move this process along," said Julie Gackenbach, assistant vp-federal affairs in the Washington office of the Property Casualty Insurers Assn. of America. "We are talking about adjournment possibly as early as Friday, but everybody realizes that they're going to have to come back." If it goes through the House, it sends "a pretty strong signal that the Senate can pick this up," she said.

"It sends a strong signal that this is a bipartisan issue, important to all segments of the economy and all regions of the country. If Congress is looking to its priorities when it returns, I think this helps to put this on that priorities list," said Ms. Gackenbach.

Another veteran insurance industry observer took a more cautious view.

"Despite the overwhelming bipartisan nature of the committee action, full House action is not assured, as there are widespread concerns about potential opposition from House Majority Leader Tom DeLay," said Joel Wood, senior vp at the Council of Insurance Agents & Brokers in Washington. With adjournment targeted for this week, Rep. Delay, R-Texas, "has wide discretion in scheduling items for floor consideration, given the time considerations," said Mr. Wood.

Meanwhile, Mr. Wood noted, Senate action has similarly been in doubt, due to "the lack of interest" in the measure by Senate Banking, Housing and Urban Affairs Committee Chairman Richard Shelby, R-Ala. He pointed out that Sen. Shelby was one of the few senators to vote against TRIA in 2002.

Late News

Continued from page 1
after Jan. 1, 2006.

New insurer to write California comp business

The California Department of Insurance has licensed CompWest Insurance Co. to write workers compensation coverage in the state. The San Francisco-based insurer said in a statement that it will work through independent regional brokers to serve California's middle market. CompWest is headed by Chief Executive Officer William J. Mudge, who formerly was CEO of Golden Eagle Insurance Corp.

Court orders MIIX into rehabilitation

The Superior Court of New Jersey has ordered MIIX Insurance Co. into rehabilitation over the objections of parent company MIIX Group Inc. The New Jersey Department of Insurance, which requested the move, will now have control over the business and property of MIIX Insurance, a medical malpractice liability insurer that has been in runoff since May 2002. Officials of MIIX Group could not be reached for comment.

Endurance buys XL Re surety book

Endurance Reinsurance Corp. of America has acquired the renewal rights to a $50 million book of surety reinsurance business from an XL Capital Ltd. subsidiary, along with the XL unit's surety underwriting team. Endurance Re, a U.S. unit of Endurance Specialty Holdings Ltd. of Bermuda, acquired the rights to the business—mainly contractor and specialty surety risks—from XL Reinsurance America Inc. Endurance Re will pay XLRA a commission as it renews the surety risks and will assist XLRA in managing the in-force surety portfolio.

PBM disclosure bill vetoed in California

California Gov. Arnold Schwarzenegger has vetoed A.B. 1960, which would have required greater transparency from pharmacy benefit managers to disclose information about revenues, including rebates, and how formulary decisions are made. In his veto letter, the governor said he believed the measure would increase prescription drug costs to health plans and the state Medicaid system.

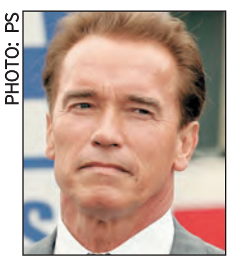


PHOTO: PS
Gov. Schwarzenegger

Justice Department investigating AIG unit

The U.S. Department of Justice is investigating an American International Group Inc. unit for possible violations of securities laws, the New York-based insurer said. The Department of Justice investigation into AIG Financial Products Corp. follows a similar investigation by the Securities and Exchange Commission. The SEC earlier said it may bring a civil action against AIG Financial Products and its parent for violations of federal securities laws, following an investigation into transactions between the AIG unit and PNC Financial Services Group Inc., which involved the transfer of $762 million of volatile, troubled or underperforming loans and venture capital assets to three special-purpose entities in 2001. AIG said that "any action by either the SEC or Justice Department would be unwarranted."

CIAB, broker network forming partnership

The Council of Insurance Agents & Brokers is teaming with the Worldwide Broker Network to form an expanded global network. The move will give members of the Council and WBN and their clients access to greater capacity and resources for global business. The two-year joint operating agreement, which will be administered by the Council, begins Jan. 1, 2005. Both the Council and the London-based WBN expect the partnership to spur an expansion of their global network into Asia, Central and South America, Africa, and other key insurance markets around the world.

Briefly noted

Brian Duperreault, chairman of Hamilton, Bermuda-based ACE Ltd. has been named the 2004 Insurance Leader of the Year by the School of Risk Management at the Peter J. Tobin College of Business of St. John's University in New York. Mr. Duperreault will be presented with the award at a dinner in New York on Jan. 27, 2005....The Hartford Financial Services Group Inc. has warned that its third-quarter earnings will be "significantly lower than expected" because of hurricane losses and a reserve boost, which together will total nearly $250 million. The reserve boost, a $49 million increase in environmental reserves, reflects changes in individual policyholders' exposures, the insurer said....Reinsurance intermediary **Cooper Gay Holdings Ltd.** has opened a North American treaty division based in New York. Executive Vp Nick Newman and Senior Vp Judith Benson, who previously were executives at John P. Woods Co. Inc., will lead the new division.

Check out BusinessInsurance.com

Items in the Late News column originally appeared in *BI*'s Daily News feature on *www.businessinsurance.com.* Visit the *BI* Web site to sign up to receive *BI*'s Daily News by e-mail.

Online Poll

[9/27 - 10/1]

Will the chain of hurricanes that have hit Florida this year reverse the softening in the property insurance market?

Yes	50%
No	39%
Do not know	11%

BI Stock Index

[9/27 - 10/1]

Up-to-the-minute data for all 87 companies that comprise the *BI* Stock Index can be found at *www.businessinsurance.com*

Percentage change of *BI* Stock Index vs. key indicators

BI Stock Index	2245.52	1.26
Dow Jones	10192.70	1.45
S&P 500	1131.50	1.93

Largest gains

Clark Inc.	15.74%
PMA Capital Corp.	9.86%
PacifiCare Health Systems	8.38%
Sierra Health Services	8.34%
Humana Inc.	6.19%

Largest losses

Aspen Insurance Holdings	-4.48%
St. Paul Travelers	-2.36%
CNA Financial Corp.	-2.36%
Vesta Insurance Co.	-1.29%
United Fire & Casualty	-1.28%

Weekly change by market segment

Brokers	3.21%
Insurers/Reinsurers	1.68%
Managed Care Organizations	4.08%

Source: FinancialContent Inc. *(http://financialcontent.com)*

Salary: RIMS, Mercer survey risk managers

Continued from page 3
United States and Canada.

"We were very pleased with the success this first year," said Brian Repsold, head of Mercer's compensation survey group in Louisville, Ky. He said that Mercer and RIMS intend to continue tracking risk management compensation in order to develop trending statistics.

Risk management professionals were asked to answer questions about their base pay, incentives and responsibilities, and the survey breaks down their responses into several categories, including geographic region, metropolitan size, staff size, gross revenue and industry classification.

Among the survey's findings:

- Average total compensation for risk managers with corporatewide responsibilities is $162,868, and the median salary for the same position is $133,500.
- Combined median base pay and annual incentives for safety and claims managers is approximately $70,500, more than $20,000 higher than the median total cash compensation for risk management analysts.
- Risk management analysts in New England states, such as Connecticut and Massachusetts, on average, earn $30,000 more annually than their counterparts in Alabama, Kentucky, Mississippi and Tennessee.
- Fifty-two percent of responding organizations have a risk management staff of between one and three people, and 30% have a staff of between four and 10.

Daniel H. Kugler, RIMS' vp-membership, said he was surprised that the survey found that 30% of the responding organizations have a risk staff of four or more people. That "indicates that there's some trend toward expansion" of risk management positions within companies, said Mr. Kugler, who is assistant treasurer-corporate risk management for Pleasant Prairie, Wis.-based Snap-on Inc.

Indeed, risk management is an expanding corporate function, according to Steve McDonnell, director of Mercer's global information services operations in the United States.

"There is a significant demand for qualified candidates at all levels," Mr. McDonnell said in a statement.

The growing demand for risk management staff is being fueled by the hardening insurance market, directors and officers liability needs, Sarbanes-Oxley governance requirements and concerns about security, Mr. Kugler said.

"Risk managers need to continue to develop their skills in order to demand higher wages and higher number of staff supporting risk management initiatives within an organization," he said.

Copies of the "2004 Risk Management Compensation Survey" are available for purchase from Mercer. For more information on the price and how to order, call 800-333-3070 or visit www.imercer.com/rims.

Aon: Brokerage seeking Ryan successor

Continued from page 1

played in the widespread brokerage consolidation movement in the 1990s. Aon's acquisitions during that period—including Hudig-Langeveldt Group B.V., Frank B. Hall & Co. Inc., Bain Hogg Group P.L.C., Alexander & Alexander Services Inc., Minet Group, Sodarcan Inc., and Jauch & Huebener KgaA—not only propelled the domestic brokerage into the global insurance marketplace, but also touched off frustration in the risk management community over lack of choice among brokerages.

Over the last 10 years, the brokerage's gross revenues have swelled from $1.22 billion in 1993 to around $9.75 billion in 2003.

Mr. Ryan, who was named Insurance Leader of the Year by the College of Insurance in 1997 for his efforts in building Aon, has always maintained, though, that the consolidation was done in recognition of commercial buyers' increasing demands for more global resources and services and higher-quality advice.

Mr. Ryan clearly "drove a lot of the consolidation in the insurance brokerage business, especially at the high end," said Mark Lane, a principal and research analyst with William Blair & Co. in Chicago. "I think he was one of the first to recognize that the business was getting more complex and that clients were demanding more comprehensive solutions."

Michael O'Halleran, once thought to be Mr. Ryan's likely successor, will instead oversee Aon's reinsurance, wholesale and MGU operations.

Mr. Ryan's decision to step down "is definitely a major development within the insurance brokerage business," Mr. Lane said. "He's clearly been one of the pioneers in the business and one who has helped shape a lot of the way the industry looks like today."

> **'I think, clearly, the struggles they have had in the last two to three years and some of the difficulties in seeing their business accurately (may have) contributed to this happening sooner than expected.'**
>
> *Mark Lane*
> *William Blair & Co.*

"It's the end of an era," said Timothy J. Cunningham, a partner in the Chicago-based insurance brokerage consulting firm OPTIS Partners Inc.

More recently, however, Mr. Ryan has had to deal with some challenges at Aon.

Following its rapid consolidation drive, the brokerage sought to streamline its operations through an ambitious business transformation plan it undertook in late 2000. The plan sought to reorganize the company by redesigning business processes and job roles and creating regional customer service centers.

That process, though, took longer and cost more than was expected and contributed to Aon's growth lagging behind that of its competitors, according to analysts and rating agencies.

In addition, Aon and its transformation suffered a massive blow on Sept. 11, 2001, as one of its largest regional customer service centers was located in the World Trade Center. Aon lost 176 employees in the terrorist attacks.

Other challenges included the cancellation of a planned spinoff of its underwriting operations and the emergence of accounting questions from the U.S. Securities and Exchange Commission, which Aon later resolved (*BI*, Aug. 12, 2002).

Many industry observers last week said they were not overly surprised by Aon's succession planning, given the company's struggles in recent years.

"The timing is maybe a little bit sooner than I would have expected, but it's a natural evolution in their development," Mr. Lane said. "I think, clearly, the struggles they have had in the last two to three years and some of the difficulties in seeing their business accurately (may have) contributed to this happening sooner than expected."

"All in all, I don't think it was a huge surprise," said Peter Patrino, senior director at Fitch Ratings in Chicago. "I think they've come through a challenging stretch over the last few years. They've worked through a lot of kinks and (Aon is) in a better position today to be handed over to the next guy."

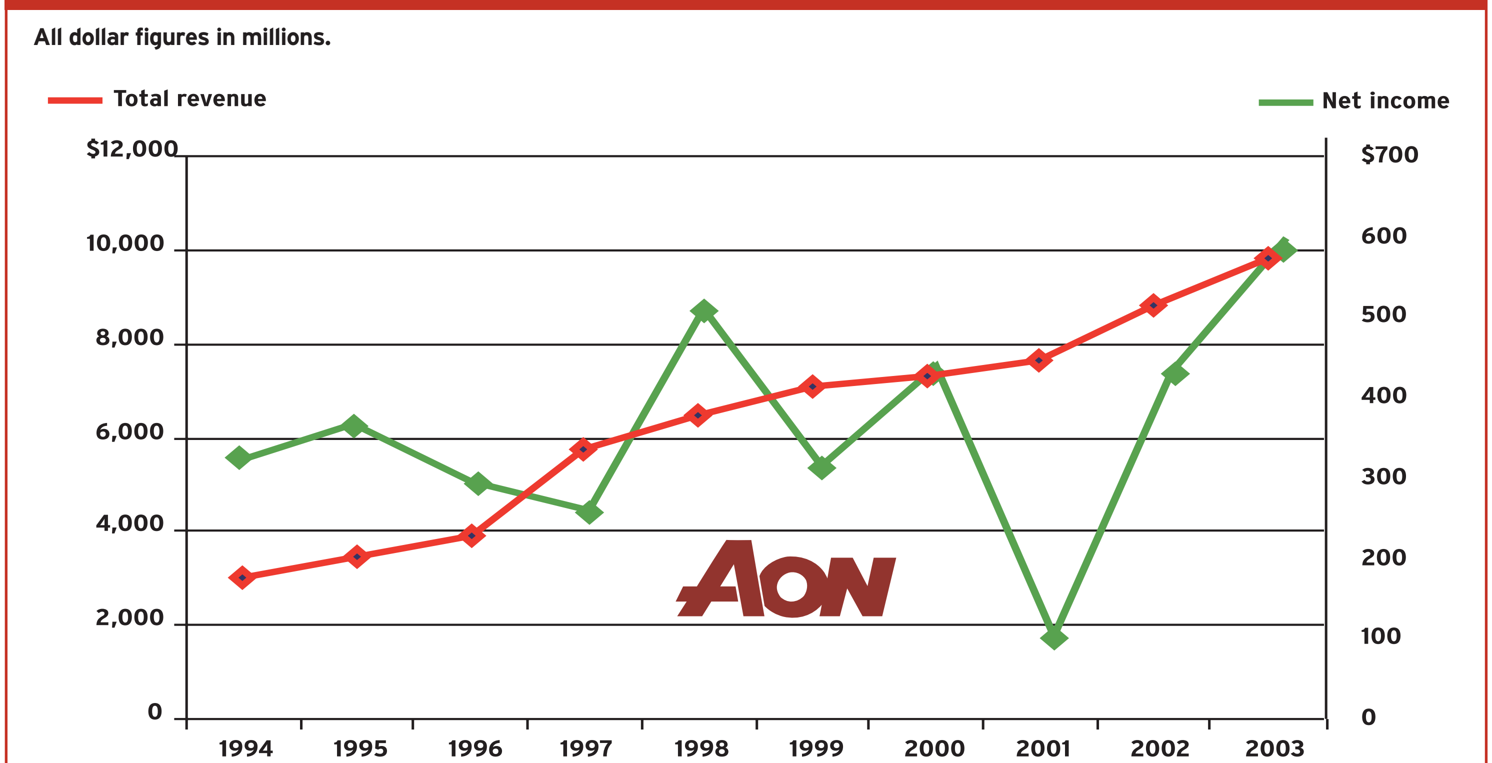
"I think it's at a point where (Mr. Ryan has) built the company over a long period of time…and it's a good time to let someone else worry about the execution, which is really what's more of the issue now," said Adam Klauber, a managing director of Cochran, Caronia Securities L.L.C. in Chicago. "You've got the second-largest franchise in the industry. It's not a matter of where you go from here, it's a matter of how you execute the franchise."

Although Aon has "had challenges executing and really producing top tier performance…I think you have different CEOs for different times," Mr. Klauber said. "If you remember what Aon was before (Mr. Ryan) took over, it was really more of an insurance company, and I think he translated that into a much more valuable asset by cobbling together the second-largest broker. That's a pretty big challenge. And then executing it and improving the margins…is a different type of challenge. And given how long he's been doing this, it's probably not a bad idea to have some fresh blood work on the execution level."

The question now is, who will take over the helm of Aon?

"We expect to complete the search as expeditiously as possible, consistent with finding the right person to lead Aon into the future," said Andrew J. McKenna, who will lead Aon's search committee as head of the board's governance committee. "We seek a proven executive who can build on our sophisticated global professional service platform, drive innovation and shareholder value, and attract and manage the industry's best talent."

10 YEARS OF GROWTH AT THE WORLD'S SECOND-LARGEST BROKER



Source: Aon Corp. financial reports